

السؤال الأول

Weekend FT

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The City's longest week of fear

David Kynaston recreates the drama of the Barings Bank crisis which threatened the Victorian financial edifice 100 years ago



Overheated forecasts

David Thomas asks: Is the Greenhouse theory just hot air? Page VII



Hooked on marlin

Nick Woodworth catches a big fish and finds it is only the bait Page XVI

Electricity issues

A share-buyers' guide to privatisation and the 12 regional companies Page III

EUROPE'S BUSINESS NEWSPAPER

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Weekend November 3/November 4 1990

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WORLD NEWS

Bush to visit US troops in the Gulf

President George Bush is to visit US troops in the Gulf later this month, the White House said. He will spend Thanksgiving day, November 16, with them after a series of visits in Europe and the Middle East.

The US president continued his verbal barrage against Iraqi President Saddam Hussein. He told a Republican campaign rally in Ohio: "Saddam Hussein must get out, and he must get out totally, and the legitimate rulers must be returned." Bush leads Republican fight-back. Page 26; US commander in Gulf urges cautious line, Page 3

Violence over temple
At least nine people died in the north Indian town of Ayodhya as police fought off attacks by Hindu militants bent on demolishing a mosque and replacing it with a temple. In Pakistan, security forces moved to protect Hindu temples from Muslims protesting about events in India. Earlier report, Page 3

UN refugee chief quits
Norwegian career diplomat Thorvald Stoltenberg announced he was resigning as UN High Commissioner for Refugees to become his country's foreign minister.

Fighting in Moldova
At least six people died in clashes between police and armed civilians in Moldova, the troubled southern Soviet republic. Page 2

UDN soldier murdered
A part-time soldier in the Ulster Defence Regiment was killed in a van bomb explosion at the Country Tyrone garage where he worked. A woman drove the van in, asked for a new exhaust system and disappeared on foot as the bomb went off. Sinn Féin poll wins, Page 6

Petrol up again
Shell, Esso and Texaco are putting the price of petrol up by 4.5p a gallon, taking four-star leaded fuel to 223.3p. Page 6

Cape Town arrests
A protest against emergency rule in a South African township near Cape Town was broken up with tear gas. Police arrested veteran liberal parliamentarian Jan van Riebeeck when he refused to leave. He was later released.

Japanese bombing
One Tokyo policeman was killed and six injured by a bomb planted by left-wing guerrillas who have vowed to disrupt Japan's forthcoming environment ceremonies. Page 3

Train driver leaves jail
Robert Morgan, 47, the train driver involved in the Purley crash in which five people died, was freed from prison. His 18 month sentence for manslaughter had been reduced on appeal.

Iran reopens embassy
Iran's London embassy officially reopened after 18 months. Diplomatic relations severed when Iran's ex-leader Ayatollah Khomeini condemned author Salman Rushdie to death for alleged blasphemy against Islam.

China arrests bishops
The Chinese authorities have arrested two Roman Catholic bishops and 18 priests for violating state laws on religion and being "subject to a foreign power" - the Vatican - a church news agency said.

BUSINESS SUMMARY

Eurotunnel in £532m rights issue

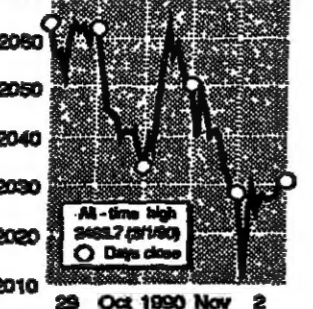
Eurotunnel, Anglo-French Channel tunnel construction consortium, launched a £532m rights issue, the final stage in its 18-month struggle to raise £2.6bn of additional finance.

The offer came three days after the French and British tunnels met under the Channel. Shareholders will be offered three new units, for every five already held, at 28p each, a 39 per cent discount to yesterday's opening price of 470p. Page 26 and Lex; Details, Page 12

LONDON EQUITIES ended a turbulent and mostly bearish week steadily, with shares recovering from the initial shock of Sir Geoffrey Howe's resignation. The FT-SE 100

FT-SE 100 Index

Hourly movements



Index closed at 2,030.7, a rise of 2.1 on the day. It fell 32.4 over the week - a higher level than might have been expected given the bad news it had to contend with. London stocks, Page 17; Lex, Page 26; Taking it with resignation, Weekend FT, Page 11

POLLY PECK International's administrators were warned by the Turkish economy minister that the company's authorities want to see an early outcome to the SFO investigations into the UK group.

It is understood Ankara is increasingly alarmed that two SFO raids have dealt a serious blow to Polly Peck. This may be a barrier to the removal of any remaining legal obstacles to the company's return to Turkey. Lehman sees Nadir for £18.5m, Page 12; Lex, Page 26

US RECESSION fears intensify with a wave of negative reports and warnings about the economy - but stocks and bonds rallied on hopes that the signs of economic weakness would lead to an interest rate cut. Page 26

SAVINGS AND LOAN: The US federal agency responsible for rescuing the thrift industry is being allowed to exploit a loophole in the law to carry on operating, after Congress failed to approve additional funds for it. Page 2

GATT director general Arthur Dunkel warned that the "risk of losing everything" in the Uruguay Round trade talks has never been so great. He specifically blamed the EC for failing to table an offer to cut farm subsidies. Page 2

COOKSON chairman and chief executive Michael Henderson has resigned. The troubled UK industrial materials group has temporarily re-appointed retired chairman Ian Butler. Page 12; Lex, Page 26

ADSTRAM: Shares in the diversified Australian conglomerate suffered on the country's stock exchange as concern over its debt and its shareholding structure continued to mount. Page 14

UK HOUSE PRICES are unlikely to rise sharply as a result of interest rate cuts, say two separate reports. Page 6

BSB and Sky agree satellite TV merger

By Raymond Snoddy

BRITAIN'S multi-billion pound satellite television war came to an abrupt end last night as Mr Rupert Murdoch's Sky Television and British Satellite Broadcasting agreed to merge.

Both accepted that they were fighting each other to a costly standstill with joint costs already approaching £1bn and the possibility of profits years away.

The deal was reached after three weeks of secret negotiations in Amsterdam, London and English country hotels retreats of senior executives.

Final details were being agreed last night at the offices of a London law firm.

The commercial battle which has involved public abuse, writs and incompatible competing technologies was ended with the help of an unidentified intermediary who brought both sides together.

As a result of the deal the entire operations of the two satellite companies will be combined in a new company called British Sky Broadcasting.

Sky and the existing BSB shareholders will each hold 50 per cent of the combined assets and obligations including debt and future investment.

Five joint channels will be created out of the two systems which, at present, total nine channels.

By the middle of next year either the BSB Squarial system will survive or it will be totally vanquished by Sky's 60 cm dishes. Consumers with the existing technology will have a choice of two systems.

Mr Ian Irvine, deputy chief executive of Reed International, the UK publishing and information group, will become chairman of BSB in succession to Sir Trevor Holdsworth.

Mr Sam Chisholm, the Australian recently appointed as chief executive of Sky Television will be the new chief executive of the merged company.

in place of Mr Anthony Simmonds-Gooding, the present chief executive of BSB. Mr Ian Irvine, the present Finance Director of BSB will deputy Chief Executive.

It is expected the director of programmes will be Mr Gary Davey, Sky's managing director.

It appeared last night that neither side had sued for peace or had offered surrender but that both were very pleased to get off a very expensive book.

The initial talks took place between a standing committee of BSB shareholders - Mr Irvine, Mr Derek Lewis, Granada managing director, Mr Frank Barlow, chief operating officer of industrial group Pearson, which publishes the Financial Times, and Mr Eric Julliet of French conglomerate Chagnon - and a Murdoch team led by Mr Andrew Knight, executive chairman of News International. When the talks made progress they were joined by Mr Murdoch himself.

The progress of BSB and of the satellite television revolution in the UK will now be guided by a powerful executive committee made up of Mr Murdoch, Mr Irvine, Mr Barlow and Mr Knight.

The four channels of Sky Television were launched in February 1989 and are still losing about £10m a month at a time when Mr Murdoch's global media empire is under pressure because of high levels of debt and growing recession in key economies. Sky claims to be in 1,600 homes in the UK and Ireland including cable television networks.

The five-channel BSB system was finally launched in April, more than six months late, after technical delays.

This week BSB claimed to be in its 750,000th home although only 150,000 of those are direct to the home on individual "squarials". The remainder are Continued on Page 26

Electricity sell-off registrations top 6m

By David Thomas, Clare Pearson and Juliet Sychrava

MORE than 6m people have registered to buy shares in the 12 regional electricity companies, Mr John Wakeham, energy secretary, said yesterday.

This promises to give a major boost to the government's efforts to deepen share ownership. Mr Wakeham said after the publication of the 800-page pathfinder prospectus for the privatisation.

In spite of growing worries of a recession, most of the companies to be floated next month unveiled optimistic forecasts of real dividend growth.

The 12 companies are forecasting combined dividends of £326.5m and pre-tax profits of £813.3m on a full-year basis for 1990-91.

Analysts are now expecting just over 25bn in equity proceeds from a 100 per cent sale of the companies, assuming a yield of about 8.5 per cent.

Most of the companies' profits will come from their core business of distributing electricity over local wires, which will remain a monopoly. They forecast stable growth in this area.

The prospectus also discloses that the companies' directors will receive a "privatisation bonus" of 12.5 per cent of their salaries once the sale is complete.

However, each company warns that factors such as exceptional weather conditions or increases in the oil price could affect profits.

Registration for shares in electricity is due to close on November 14.

Finance in the Family, Weekend FT, Page III

Howe resignation sparks wide-ranging cabinet reshuffle

Thatcher seeks to limit the damage

By Ivo Dawkins and Alison Smith

THE PRIME Minister yesterday sought to make the best of the turmoil generated by Sir Geoffrey Howe's resignation by completing an unexpected wide-ranging cabinet reshuffle.

Mrs Margaret Thatcher seized the opportunity to fill the gap in her government by moving Mr John MacGregor to the leadership of the House of Commons and replacing him in the high profile post of education secretary with Mr Kenneth Clarke, currently health secretary.

The move aims to strengthen the controversial education reform programme by substituting a conciliatory figure with a minister regarded by Downing Street as better able to take on Labour's expected assault on education policy at the next election.

The other significant change is the replacement of Mr Clarke at the Department of Health with Mr William Waldegrave, the Foreign Office minister of state now taking his first post in the cabinet.

Sir Geoffrey's largely honorary title of deputy prime minister has been abandoned.

There was confusion, however, over whether Mrs Thatcher had first sought to bring back into her cabinet Mr Norman Tebbit, the former Conservative party chairman.

Mr Tebbit, a hard-line supporter of Mrs Thatcher's reluctance to commit Britain to closer European integration, met with the prime minister yesterday morning. Neither he nor Downing Street would comment on the meeting.

The reshuffle did little to dampen down the continuing furor surrounding Sir Geoffrey's resignation, caused by Mrs Thatcher's approach to Europe. This was in spite of strenuous efforts by senior ministers to quell speculation of an imminent challenge to Mrs Thatcher's leadership.

Ministers publicly closed ranks around the prime minister, while backbenchers appeared openly divided over whether there should be a contest. In private, however, cabinet ministers sharply criticised Mrs Thatcher's stance on Europe and her handling of her government. Yesterday's reshuffle was the fifth such since this year, with three of the others forced on the prime minister by resignations.

The turmoil within the Tory party was quickly seized on by the government's opponents in an attempt to maximise the Tory's embarrassment. Mr Neil Kinnock, the Labour party leader, said: "The honest and logical thing to do is to say there is a contest against Mrs Thatcher unless of course she quits first."

However, the opposition leader soon found himself in difficulties when he was widely interpreted as giving Labour's first whole-hearted endorsement to a single European currency.

Speaking on the BBC's Today programme, Mr Kinnock had suggested that he would be satisfied by adopting a new currency provided its Continued on Page 26



Sir Geoffrey and Lady Howe leaving their London home yesterday

Sterling and shares steadied

By Peter Marsh, Economics Staff

THE GOVERNMENT acted firmly yesterday to support sterling and calm financial markets, which had shown signs of nervousness after Sir Geoffrey Howe's resignation.

A three-pronged operation by the government reversed the slide in the pound, which on Thursday had fallen by 2 pence from 166.5 to 164.5 pence against the dollar.

Speaking on BBC radio, he said the UK would use "a range of weapons" to keep the pound within its band in the

also soothed the stock market. The FT-SE index closed at 2,030.7, up 2.1 on the day but down 32.4 over the week.

The government initiative started with Bank of England intervention in Tokyo to buy sterling. This was followed by reassuring words from Mr John Major, the chancellor, about the government's willingness to defend the value of the pound.

Speaking on BBC radio, he said the UK would use "a range of weapons" to keep the pound within its band in the

European exchange rate mechanism.

In the third part of the operation, the Bank sent a signal to the money markets that the 14 per cent base rate would remain for the immediate future. It did this by leading £700m to the UK banking system at 14 per cent, rather than use the slightly lower inter-bank rate which would have been more usual.

Any likelihood of an imminent rate cut could have made sterling less attractive to foreign investors.

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MARKETS

STERLING

New York lunchtime: \$1.951
London: \$1.951 (1.9515)
DM2.95 (2.9425)
FF9.8375 (9.86)
SF12.4775 (12.4875)
£ index 94.2 (94.4)
GOLD
New York: Comex Dec \$378.0 (383.1)
London: \$376.0 (380.25)
N SEA OIL (ARGUS)
Brent Dec \$34.05 (34.65)
Crude oil changes yesterday: Page 26

DOLLAR

New York lunchtime: DM1.5025
London: FF5.044
Y128.65
Y128.65 (1.5075)
FF5.0425 (5.0525)
SF12.2705 (12.275)
Y128.6 (130.45)
S index 60.5 (60.8)
Tokyo closer: Y129.1
US LUNCHTIME
Fed Funds 8%
3-mo Treasury Bill: yield: 7.29%
Long Bond: 100 1/2
yield: 8.65%

STOCK INDICES

FT-SE 100: 2,030.7 (+2.7)
FT Ordinary: 1,570.7 (-1.4)
FT-A All-Share: 882.44 (-0.0%)
New York lunchtime: DJ Ind. Av. 2,484.9 (+29.95)
SAP Comp 310.72 (+3.7)
Tokyo: Nikkei 24,194.99 (-100.17)
LONDON MONEY
3-month interbank: closing 13 1/2 (same)
1-yr long gilt: bid: Dec 83 1/2 (84 1/2)

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INTERNATIONAL NEWS

US commander in Gulf urges cautious line

By Peter Riddell, US Editor in Washington

GENERAL Norman Schwarzkopf, commander of the US forces in the Gulf, spoke yesterday of alternatives to military action against Iraq. In an interview with the New York Times, Gen Schwarzkopf said: "There are alternatives to destroying Saddam Hussein or his regime. I like to think that the ultimate objective is to make sure that we have peace, stability and a correct balance of power in the Middle East, so that all nations can continue to prosper without fear of being attacked or blackmailed by a neighbouring state. There are many ways you can accomplish that."

The same theme was taken up by Senator Sam Nunn, the influential Democratic chairman of the Senate Armed Services Committee. He warned that war would "be bloody, costly and we ought to give every other option - including the embargo - a chance to work."

These comments were made as Mr James Baker, the US Secretary of State, prepared to leave for a trip to the Gulf and Europe where he will seek to bolster the anti-Iraq coalition and discuss contingency planning for war, including the command and control of the multinational forces. He will meet Soviet President Mikhail Gorbachev.

President Bush, on a five day campaign across the US ahead of Tuesday's mid term elections, has sought to focus the attention on the seriousness of the

crisis after the distractions of the month long budget crisis.

His message has been deliberately ambiguous, alternating between saying his patience is wearing thin over the plight of the hostages and hoping that a peaceful solution can still be found.

The mixed signals and changed emphasis from day to day reflect a desire not to be boxed in to any particular timetable or course of action as well as the fact that decisions have not yet been taken.

David Marsh adds from Bonn: The Bonn government was yesterday trying to muster international support for the planned "humanitarian" mission to Baghdad next week by Mr Willy Brandt, the former Social Democrat chancellor.

Mr Brandt is planning to travel to Iraq on Monday to try to secure the release of hostages from Germany and other countries. Mr Javier Pérez de Cuellar, the United Nations Secretary General, has turned down the suggestion by Chancellor Helmut Kohl that Mr Brandt should travel as an official UN emissary.

The Bonn government is trying to clinch agreement for Mr Willy de Clercq, the former Belgian EC Commissioner, and Mr Emilio Colombo, the former Italian Prime Minister, to accompany Mr Brandt. SPD officials, however, said yesterday that Mr Brandt expected to go alone in a "private" capacity.

Militants killed in new temple clashes

By K K Sharma in New Delhi

POLICE yesterday shot dead at least five Hindu militants attempting to approach the Babri Mosque at Ayodhya where they want to build a temple to the god Ram.

Officials said five were killed but news agencies reported about 15 deaths. This is the second time police have fired on the militants, the first being on October 30 when the mosque was stormed by Hindu zealots and partly damaged.

Hindu-Muslim clashes continued yesterday for the fifth day in the states of Uttar Pradesh, Gujarat, Bihar, Karnataka and Andhra Pradesh.

At least 20 more were killed yesterday in the violence marked by attempts to build the temple, taking the death toll in the last four days to more than 120.

With the thousands of Hindu militants gathered in Ayodhya determined to make further attempts to storm the mosque in the next few days, tension is expected to increase throughout the country.

Events in Ayodhya have led to a serious political crisis with the Hindu fundamentalist Bharatiya Janata party (BJP)

withdrawing support from Mr V. P. Singh's minority National Front Government. The Prime Minister has been forced into seeking a confidence vote in parliament next week.

Mr Singh is himself threatened within his own Janata Dal party, the main constituent of the National Front. Four more members of parliament have supported a move by three senior ministers for a change of party leader.

The president of the National Front met yesterday

and adopted a resolution ruling out an alliance with Mr Rajiv Gandhi's opposition Congress, but this is not expected to deter dissidents in the Janata Dal who want Mr Singh replaced as the party's leader before the confidence vote.

An attempt to elect a new leader is expected to be made when the Janata Dal parliamentary party meets on Monday. Party members are being offered the bait of avoiding early general elections since the Congress party has prom-

ised "constructive support" to a government if Mr Singh is replaced as prime minister. Pakistani security forces moved to protect Hindu temples yesterday as thousands of Muslims protested after Friday prayers at attacks on Indian Moslems. Reuter reports from Karachi. Pakistan's outgoing Prime Minister Ghulam Mustafa Jatoi on Thursday accused India of failing to protect India's 100m Moslems and prevent Hindus damaging the Ayodhya mosque.



Police armed with canes charge Hindu militants in Ayodhya yesterday

Big fall in Japan's capital outflow

By Stefan Wagstyl in Tokyo

JAPAN'S net capital outflow, a dominant feature of world financial markets since 1985, dropped in the six months to the end of September to its lowest level for five years.

The figure for the period, the first half of the 1990 financial year, fell to \$26bn from \$47.3bn in the previous six months.

The main reason behind the decline has been the fall in net investment in foreign securities by Japanese institutions. Fund managers have cut foreign investments in order to take advantage of increases in interest rates on Japanese yen instruments. Some have also sold overseas holdings in order to cover the enormous losses sustained in this year's fall in the Japanese stock and bond markets. The net outflow has also been reduced by increased investment in Japanese bonds by foreign investors.

Most private sector economists in Tokyo do not expect the net outflow to shrink much further, given a continuing desire by Japanese institutions to invest overseas to maintain their weightings in foreign assets. But they think it unlikely the flow will quickly resume the high levels reached in the late 1980s, when an expansion of direct investment by industry

coincided with a surge in portfolio investment in securities.

The net outflow peaked at \$144.7bn in the financial year ended March 1987. This year's level is similar to the financial year ended March 1985, when the net outflow totalled \$54.2bn.

The half-year figures were released yesterday by the Ministry of Finance along with balance of payments statistics for September.

In September, the balance of capital flows actually showed a net inflow into Japan of \$5.7bn, compared with an outflow in August of \$4.8bn. Japanese investors were net sellers of foreign stocks and bonds, while net purchases of Japanese bonds by foreigners soared. Months which have seen net capital inflow have been rare since 1985 - though there were two last year - March and December.

The September current account surplus fell 24 per cent to \$4.6bn. Exports rose 6 per cent to \$25.1bn but imports rose faster, by 9.9 per cent to \$17.4bn. The deficit on invisible trade widened sharply to \$2.1bn due to an increase in overseas travel. There was also a \$900m transfer of government funds to the Gulf Co-operation Council.

NEWS IN BRIEF

Japanese terrorists kill policeman

A bomb planted by left-wing guerrillas who have vowed to disrupt Japan's imperial enthronement ceremonies in 10 days' time killed one policeman and injured six in Tokyo, Reuter reports from Tokyo.

The government swiftly responded, saying it would tighten its grip on the capital where police are already mounting their biggest security operation in the run-up to the ceremonies.

One bomb went off late on Thursday at a five-storey block of flats for unmarried policemen in central Tokyo's Shinjuku district. A second exploded about five minutes later when people gathered to see what was going on. One officer was killed, the first policeman to die in a guerrilla attack since 1977.

Belgrade asserts authority

The Yugoslav government yesterday acted to stop the trade war between the republics of Serbia and Slovenia and to ensure that federal law prevails, Reuter reports from Belgrade.

Tanjug news agency said the government had decided to press criminal charges if federal laws were violated. It did not say who would face the charges.

Communist-ruled Serbia, the biggest republic, has imposed taxes on imports from the republics of Croatia and Slovenia, which have ended Communist rule and want more independence. This week Slovenia's parliament passed laws taxing livestock, milk and meat products from other republics.

Finland scraps exchange controls

The Bank of Finland said yesterday foreign exchange controls would be abolished from next January except for those covering loans raised abroad by private individuals and companies, writes Robert Taylor in Stockholm.

Restrictions on short-term capital movements would also be lifted, as would the ban on sale abroad of bonds issued before February this year.

The moves followed the bank's decision on Thursday to halt trade with the Soviet Union because of confusion over exchange rates set by Moscow last week.

Finland operates a clearing house trade system under which the Soviets export mainly oil and gas to Finland in return for Finnish industrial products. Earlier this year the Soviet authorities said they wanted to scrap the trading arrangement.

Mongolia to give away state assets

Mongolia's new-look socialist party plans to give away state assets in equal lots to every citizen, Reuter reports from Ulaan Bator.

"We have no time to lose to transfer to a market economy," said Deputy Prime Minister D. Dorligjav.

State-owned factories, enterprises and some land would be parcelled up into lots and distributed equally to all of Mongolia's 2m people, making them instant shareholders under a law which could be passed before the end of the year.

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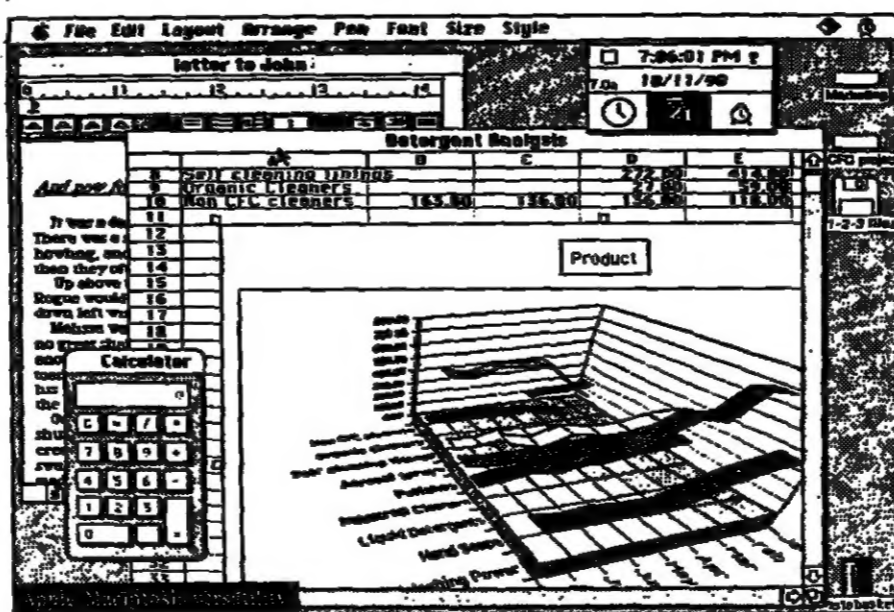
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UK NEWS

Universities are advised to tighten rules on admission

By Norma Cohen, Education Correspondent

UNIVERSITY HEADS are being advised to set tougher admission standards for students next year in order to limit enrolment as government funding has become uncertain. After an emergency meeting yesterday, the governing council of the Committee of Vice-Chancellors and Principals said: "Universities will be advised to look carefully at their admissions targets. The academic standard required from candidates for entry may have to be raised to avoid too large an entry."

The CVCP said it was issuing the guidance in response to the University Funding Council's decision last week to abandon its complex system under which universities "bid" for funds.

The bidding system, seen as a government effort to bring market forces into higher education, was intended to encourage universities to expand their numbers while cutting the cost of educating each student.

In four-year plans submitted last June, universities offered to expand enrolment by 19 per cent to 383,000 by the 1994-95 academic year.

However, the system also required universities to compete fiercely on price - something which they refused to do. While the UFC had hoped vice-chancellors would offer to educate students for a lower cost than the government's "guide prices", the universities almost unanimously refused.

Some 93 per cent of bids for places were at the official guide prices and the rest were only marginally below that. The CVCP has denied its members operated a cartel.

The CVCP council also asked the UFC to continue to consider the universities' four-year development plans, even if it is not willing to fund them fully.

Sir Edward Parkes, CVCP chairman, will also write to the education secretary seeking a clarification of the government's policy of expanding access to higher education and the source of funds to pay for it.

University chiefs suspect the government may wish to withhold funds for expansion in order to force universities to impose fees on students.

In a letter yesterday to the UFC, Sir Edward said he could not understand the council's disappointment at universities failing to bid below guide prices for student places.

"In bidding, universities were specifically enjoined by the UFC to take into account a wide range of infrastructure costs associated with expansion including most capital costs," he said.

Minister asks for A-levels assurance

By Norma Cohen

MR JOHN MACGREGOR, education secretary until yesterday's reshuffle, has asked government advisers for assurance that proposals aimed at broadening A-level study will not undermine content or reduce depth of study.

Mr MacGregor, speaking at a school in his South Norfolk constituency, said some changes in A-level study might be necessary because the current system was too narrow and specialised. However, he underlined his reluctance to authorise any revisions to A-levels without assurances that standards would remain unchanged.

The Schools Examination and Assessment Council, the government's advisory body, is considering proposals to its complex proposals on A-level reform. Among its most contentious proposals, the council has suggested that A-level syllabuses be rewritten to include so-called core skills.

The syllabuses would be revised in order to ensure that all A-level study incorporated skills such as problem solving, the use of information technology, communication skills and knowledge of a foreign language.

The proposal has provoked strong criticism from the Headmasters' Conference, which represents many independent schools.

Mr MacGregor said yesterday the government was not committed to the proposal, and that he had particularly encouraged the conference to set out its views.

In a directive to the examiners' council yesterday, Mr MacGregor asked to see concrete examples of how core skills could be woven into the curriculum without watering down course content.

He said that, while he believed that curricula could have greater breadth without sacrificing depth, he wanted the government's advisory bodies to demonstrate that "beyond doubt".

Mr MacGregor also said he was considering a proposal from the Business and Technical Education Council that would make their other vocational courses more broadly available for students aged 16 to 19.

The proposal included setting up a system of credit transfer, allowing students to move more easily between academic and vocational study.

Howard hears nurses defend 13% pay target

By Lisa Wood, Labour Staff

THE Royal College of Nursing yesterday told Mr Michael Howard, the employment secretary, that nurses' pay deals followed rather than led other pay settlements. Its comments reflect disquiet over a government submission on nurses' pay.

Nursing organisations, including the college, are seeking pay increases for their members that would add 13 per cent to the total nursing salary bill. The government says in its evidence to public sector pay review bodies that the underlying inflation rate is 7 per cent and pay increases for review body groups should not be excessive.

Mrs Christine Hancock, general secretary of the college, said in a letter to Mr Howard that the college believed that constraints on public sector pay were not an effective mechanism for restraining wage growth in the private sector.

"Neither do we agree that nurses' pay will become a benchmark or pacesetter for public sector pay more generally," she said.

If, however, in pursuit of a broader economic strategy, nurses' pay and midwives' pay was pegged at a lower level than the rate necessary to improve recruitment and retention, the government's health and social policy objectives, as encompassed in the NHS reforms, will be compromised.

Steep house price rise seen as unlikely

By Andrew Taylor, Construction Correspondent

HOUSE prices are unlikely to rise sharply as a result of interest rate cuts, according to two reports published yesterday. They suggest that prices should more than double during the next ten years.

Mr Jim Birrell, chairman of the Council of Mortgage Lenders and chief executive of Halifax Building Society, said there was no risk of a house price explosion "even if the downward trend in interest rates was maintained".

Housing was likely to remain a buyers' market, said Mr Birrell at the council's annual meeting in London.

A joint report by the Centre for Strategic Studies in Construction at Reading University and by Cambridge Econometrics yesterday forecast that the average price of a new house would more than double by 2001.

It expected prices of new houses to rise on average from £75,000 in 1989 to £160,000 by the beginning of the next century.

The short-term outlook for the UK economy and the construction industry was not encouraging, the report said.

However, prospects were expected to improve from 1992. Construction output between 1991 and 2001 was forecast to increase by an average of 3 per cent a year.

The outlook for the private housing sector was the most encouraging, said the forecasters. By 2001 new private housing output was expected to be 70 per cent higher than in 1989.

That recovery from the current housing slump would be stimulated by falling interest rates, according to the report.

It predicted that the high growth regions for construction in the next decade would be the east Midlands, south-west England and East Anglia.

Builders started work on 12,300 new homes during September, almost 17 per cent fewer than during the corresponding month last year, according to figures published yesterday by the Department of the Environment.

However, the number of private-sector starts over the three months to the end of September was 2 per cent higher than during the previous three months.



Saying it with flowers: Mr Seyed Shamseddin Khareghani, Iranian charge d'affaires, pictured with Dr Mohammad Khan, the Pakistani high commissioner, when the Iranian embassy in London reopened yesterday after an 18-month break in diplomatic relations between the UK and Iran over the Salman Rushdie affair. Pakistan had looked after Iran's interests in London.

Total ban sought on dumping waste at sea

By John Hunt, Environment Correspondent

A GLOBAL agreement to prevent all dumping of waste in the sea was proposed by 43 countries yesterday at the end of a week-long meeting of the London Dumping Convention.

Their resolution called for a global mechanism to co-ordinate protection of the marine environment against all forms of pollution. It would form part of a convention to prevent global warming which will be given its final shape at a world environment conference in Brazil in 1992.

Yesterday's proposal would extend the powers of the London Dumping Convention, a UN organisation with 64 member countries, by banning waste originating from land being dumped at sea. At the moment the convention controls only dumping from ships.

An estimated 80 per cent of sea pollution originates from land and includes industrial and chemical waste carried by rivers, and sewage discharged into the sea.

Sea Conference - there is no all-embracing pact and many loopholes. Environmental groups have criticised the convention, and described it as a "dumpers' club". But yesterday Mr Rami Parmentier, head of the Greenpeace group observing the proceedings, said that the London meeting, held at the International Maritime Organisation, was a success.

"The convention has shown that it wants to protect the oceans, not just regulate them," he said.

Earlier in the week, the convention agreed to moratorium on the dumping of nuclear waste under the seabed from ships. Yesterday, however, the Ministry of Agriculture, Fisheries and Food, which negotiates for Britain, made it clear that the UK wanted to retain the option to dump nuclear waste.

There are no plans for Britain to use the method, but the government believes it is wrong to relinquish the option until it is known which form of deep disposal is the most effective and safe.

Police said they were treating the death of Mr Martin Hollingsworth, a stalker driver who was found injured near his vehicle, as suspicious.

Rover said 800 workers in the assembly plant had been laid off because of a lack of spares.

Union call for strike at GPT

By Michael Smith, Labour Correspondent

UNION LEADERS yesterday called on more than 500 employees of GPT, the telecommunications venture, to start an indefinite strike over working hours later this month.

The strike, planned at GPT's Liverpool factory, would be the first action over hours at a large engineering company for five months.

The Confederation of Shipbuilding and Engineering Unions (CSEU), which is co-ordinating the campaign on hours, said the GPT stoppage would begin on November 23 unless there was progress in the dispute.

It would involve all manual workers and some white-collar workers who worked a 39-hour week.

Unions also ordered a strike ballot among more than 500 manual workers at Midland Electric Manufacturing (MEM) at Tynesley, near Birmingham.

Both GPT's Liverpool factory and MEM have offered shorter working weeks, but neither offer has satisfied the unions.

The CSEU said workers at MEM resented the company linking the reduction in hours to the annual pay offer. Union negotiators said the productivity concessions demanded by GPT were too onerous.

The unions say they have negotiated more than 1,200 working-week deals, covering 500,000 workers, since they began a strike campaign a year ago. In most cases the standard working week is being reduced by two hours to 37 hours. The unions' eventual target is 35.

Manual workers at Jaguar, the car maker, are likely to be balloted next week on a 12.5 per cent pay offer following a series of meetings yesterday among shop stewards.

Management has been growing increasingly frustrated over what it saw as union delays in organising the vote among 9,000 blue-collar workers. The deal, which includes widespread changes in working practices and may face shopfloor resistance, was negotiated and recommended by union negotiators two weeks ago.

Drug licensing timescale is cut

THE Medicines Control Agency, set up by the government last year, has cut the average time taken to license new drugs in the UK from 23 months to 15 months, Mr Kenneth Clarke, then health secretary, said yesterday, writes Clive Cookson.

Mr Clarke was speaking at the first public meeting of the MCA, which took over the functions of the medicines division in the Department of Health.

One of the pharmaceutical company delegates at the meeting, Dr John Heap, medical director of Evans Medical, said: "The new structure of the MCA is an enormously welcome change and we are already beginning to see the effects."

Shell and Esso raise petrol prices

SHELL and Esso, Britain's biggest petrol retailers, announced yesterday that their petrol pump prices were to rise by 4.5p a gallon (1p a litre), writes Steven Butler.

The companies will raise prices to 222.3p a gallon. Esso will take effect today, Shell will put up prices on Monday.

The increases reflect the rising price of petrol on the Rotterdam spot market, where cargoes of petrol are traded.

Other oil companies are expected to introduce similar price rises.

Slowdown in Ulster

THE SLOWDOWN in the British economy is affecting businesses in Northern Ireland, according to a survey yesterday by the Confederation of Industry (Northern Ireland).

The study showed a sharp decline in optimism in the province's economy after a period of buoyancy. The slowdown in the past two months led to 29 per cent of responding companies reporting a fall in confidence.

Lower demand, an intensive squeeze on profit margins and continuing high financial costs were blamed for making trading conditions difficult.

Car workers laid off

A TOTAL of 800 Rover Group car workers were laid off yesterday after 60 employees in the spares section at the company's stores department walked out over the "suspicious" death of a colleague.

Police said they were treating the death of Mr Martin Hollingsworth, a stalker driver who was found injured near his vehicle, as suspicious.

Rover said 800 workers in the assembly plant had been laid off because of a lack of spares.

Union wants inquiry

THE TGWU general workers' union yesterday demanded a public inquiry into the cost of abolishing the National Dock Labour Scheme.

Its call follows a report by the National Audit Office this week that the government is likely to pay more than £185m in compensation to redundant dockers, which is more than five times the £35m estimate it made to parliament in 1988.

Shortlist for chief

THE Welsh Development Agency has drawn up a shortlist of six names for a chief executive to succeed Mr David Waterhouse, who returned to the private sector in September.

It is understood that at least one person listed is running a company abroad.

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Sinn Fein wins by-election after councillor is barred

By Our Belfast Correspondent

SINN FEIN, the IRA's political wing, yesterday won an Ulster by-election caused by the disqualification of one of its members who was later shot dead.

Mr Francis Molloy survived a recount to hold the Dungannon district council seat by six votes from Mr Joe Gervin of the Social Democratic and Labour Party.

The by-election was caused by the disqualification for three months in August of Sinn Fein councillor Martin McCaughey for failing to attend council meetings.

It was later disclosed after he was shot dead by soldiers in Loughgall, County Armagh, that he was a member of the IRA, and that he had been absent from meetings because he was injured when a terrorist gang confronted security forces in County Tyrone.

● The IRA yesterday murdered a part-time sergeant-major in the Ulster Defence Regiment. Mr Albert Cooper was killed when a booby trap device exploded under a car in his commercial garage in Cookstown, County Tyrone.

Underlying currency and gold reserves fall by \$78m

By Edward Balls

THE UK's underlying gold and foreign currency reserves fell by \$78m in October, official figures disclosed yesterday.

The fall, which represented the third consecutive monthly decline in underlying reserves, was slightly below market expectations.

It followed a \$344m decline in September.

The change in the underlying reserves is used by economists to estimate the extent to which the Bank of England intervened on the foreign exchange markets to influence the value of sterling.

Although other factors can influence the reserves, the fall could indicate that sales of sterling, to hold down the pound's initial rise after Britain entered the European exchange rate mechanism last month, were offset by purchases of sterling later as the pound fell back.

The figures for last month cover the period up to October 28 before the rise in the key German Lombard rate and the resignation of Sir Geoffrey Howe as deputy prime minister put downward pressure on sterling.

Britain's official reserves of gold, foreign currency, special drawing rights, and European currency units fell by \$488m to end the month at \$38.57m.

That compared with \$38.06m at the end of September.

SCOTLAND

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December 14th 1990.

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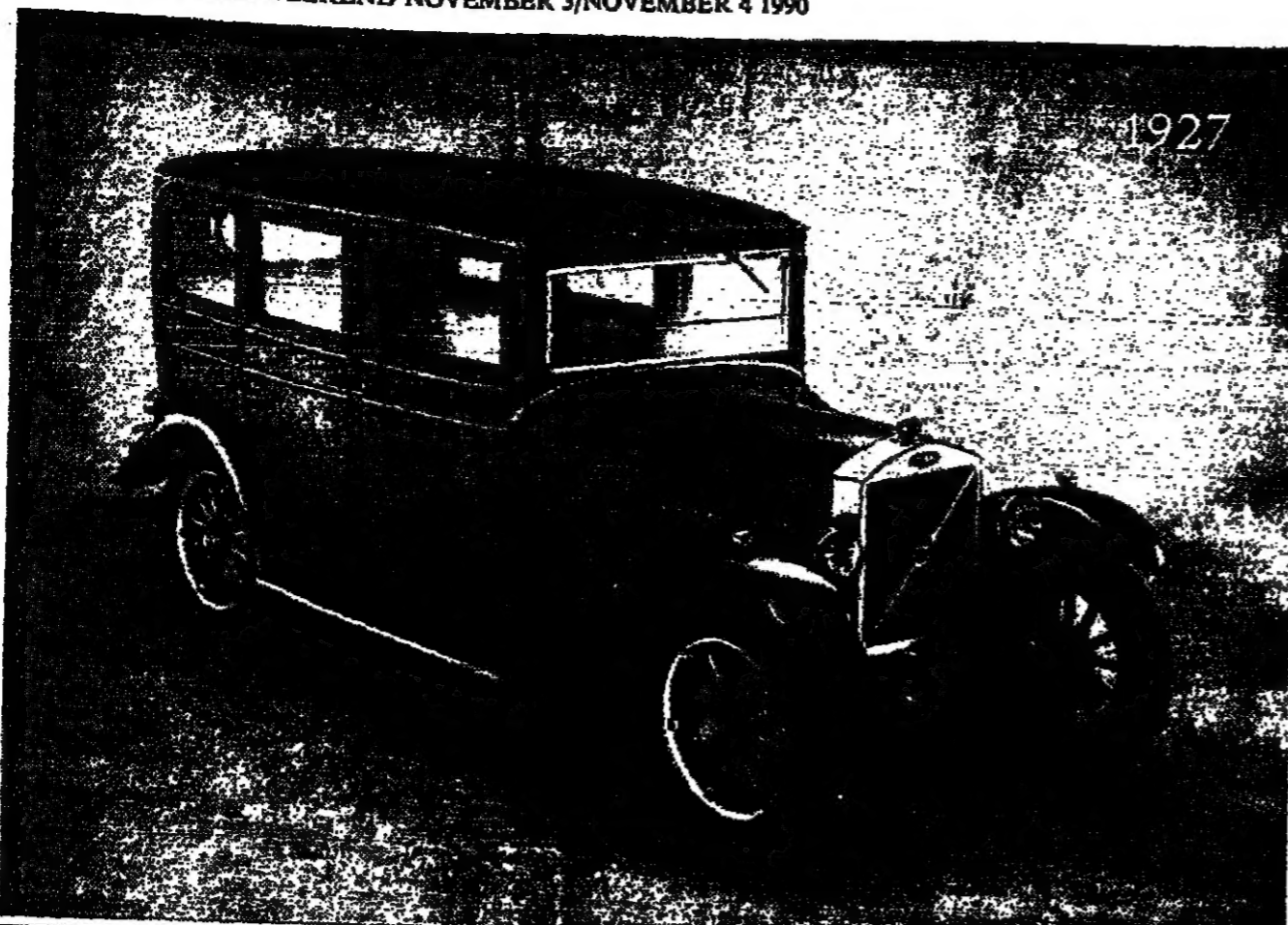
Where no such form is submitted withholding tax at the rate of 25% will be deducted. United Kingdom tax at the standard rate will be deducted unless claims are accompanied by the appropriate affidavit forms.

Information concerning any of the above-mentioned documents may be obtained from Barclays Bank PLC and Midland Bank PLC.

Amsterdam, 2 November, 1990
Akzo N.V., the Netherlands

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FINANCIAL TIMES WEEKEND NOVEMBER 3/NOVEMBER 4 1990



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These are just a few of the features that make the Volvo 940 a worthy successor to the 1927 car.

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THE HOWE RESIGNATION

CABINET RESHUFFLE

Clarke move signals tough line on education

BUSINESS REACTION

Fears of damage to long-term prospects

MRS MARGARET THATCHER seized on Sir Geoffrey Howe's resignation yesterday to toughen the government's stance on education, the issue that both leading parties say could play a central role at the next election.

The cabinet reshuffle - the fifth this year - has at its heart the sideways move of Mr John MacGregor from education to Sir Geoffrey's post as Leader of the House, and his replacement by Mr Kenneth Clarke, until now the health secretary.

The prime minister's decisions were seen as allocating a tough minister to the difficult education portfolio, while giving the uncontroversial job of supervising government business to a man popular on both sides of the chamber.

The changes have also made way for Mr William Waldegrave, minister of state at the Foreign Office, to take up his first cabinet job as health secretary.

Other changes included the shifting of Mr Douglas Hogg from the Department of Trade and Industry to the Foreign Office, and the promotion of Mr John Redwood, DTI parliamentary under-secretary, to full ministerial status.

Mr Edward Leigh, MP for Gainsborough and Horncastle and a former member of the prime minister's private office, completes the changes by stepping into Mr Redwood's seat.

The reshuffle, while considerably more wide-ranging than anticipated, is not entirely unexpected.

Speculation had been mounting over Mr MacGregor's ability to hold on to the education portfolio after growing criticism from the Tory right and a public disagreement with Mrs Thatcher over a voucher system for schools.

In his year at the Department of Education and Science, Mr MacGregor had attempted to mend fences with teachers and other academics incensed by the reforms set in train by Mr Kenneth Baker.

He had also scaled down testing for seven-year-olds, hinted at restoring negotiating rights for teachers' unions, and proposed changes in the national curriculum.

Last month, however, he was called to Downing Street by Mrs Thatcher after threatening to go to the government's "star chamber" disputes procedure to fight for more resources for his department.

By replacing him, Mrs Thatcher has signalled a more radical approach to the reform programme. Mr Clarke, while viewed as representing the centre-left of the Tory party, won admission from the right for his tough action during the 20 week ambulance drivers' dispute.

The prime minister is said to regard him as "a good communicator" and the right choice to take on Mr Jack Straw, Labour's education spokesman, in the run-up to a general election.

The changes also represent a significant promotion for Mr Waldegrave, long regarded as an up-and-coming figure knocking on the door of the cabinet.

Mr Waldegrave, an intellectual on the "right" wing of the party, recently momentarily blotted his copybook by suggesting that British residents in Kuwait might follow an instruction from the occupying Iraqi authorities and report to local hotels.

But he has long been regarded as a cautious minister and should have little difficulty in following through the National Health Service reforms that are due to be enacted in April.

The changes should have little real impact on the political composition of the cabinet. Mrs Thatcher has dropped the purely titular post of deputy prime minister insisted on by Sir Geoffrey Howe when he reluctantly accepted a move from the Foreign Office during the reshuffle in October last year.

The non-cabinet appointments represent a step up for the prime minister's loyal supporters, however.

Last night Mr Robin Cook, Labour's health spokesman, condemned the reshuffle. He argued that the changes merely shifted personnel rather than policies.

"Ken Clarke's move is bad news for the education service," he said, adding that the NHS would never be safe until Mrs Thatcher was removed from office.

Ivo Dawney



John MacGregor

Mr John MacGregor's succession to Sir Geoffrey Howe as leader of the house curtails his career as education secretary after only 16 months. After a journalistic and political background, Mr MacGregor, 53, entered parliament in 1974 as MP for Norfolk South. He was special assistant to Sir Alec Douglas Home when he was prime minister in 1963-64, headed the private office of Mr Edward Heath and was leader of the Opposition in 1965-1968. He joined Mrs Thatcher's cabinet as chief secretary to the Treasury in 1985. Until 1989, he was minister of agriculture.



Kenneth Clarke

Mr Kenneth Clarke has been health secretary since 1988 and he has piloted the government's National Health Service reforms through parliament in the face of fierce opposition from the medical profession and other groups. The changes, the biggest in the NHS's history, take effect in April. A barrister aged 50, he entered parliament as member for Rushcliffe, Nottinghamshire, in 1970. After junior ministerial roles - including a previous stint at health - he joined the cabinet as the industry minister with responsibility for the government's inner cities programme in 1987.



William Waldegrave

Mr William Waldegrave, 44, whose promotion to health secretary yesterday makes him the youngest member of the new cabinet, entered parliament 11 years ago as MP for Bristol West. Before that he had been a member of the Cabinet Office's Central Policy Review Staff. Mr Waldegrave goes to the Department of Health from the Foreign Office, where he had been a minister since 1988. He has had responsibility for areas undergoing political upheaval such as the Soviet Union, eastern Europe, southern Africa and the Middle East.

EC BALANCE

Size of budget contribution is still an issue

ALTHOUGH the battle over Britain's budget rebate was one of the main EC issues of the early 1980s, the UK still pays more into the Brussels kitty than it takes out. This is in spite of Mrs Thatcher's triumph at the 1984 Fontainebleau Summit.

Last year, according to British officials, the UK's net contribution to the Community budget was £2.3bn, or 1.7% of "abatement" had been returned.

Contributions are calculated on the basis of gross domestic product and a formula related to VAT receipts. Britain's payment is steep partly because of high consumer spending which feeds into VAT.

The other main reason is that much of the cash is returned to states in farm subsidies - a fundamental disadvantage for the UK given the relatively small size of its agricultural sector. Thus 15 per cent of this year's EC budget is financed by London, against the 7 per cent for the rest of the EC. But Britain stands to gain more than its partners from programmes for re-training and helping the long-term unemployed.

On regional and social programmes, the overall picture is much the same. Of the £14.8bn (£23.1bn) which is likely to be disbursed between 1989 and 1993, only £2.5bn will go to the UK. But Britain stands to gain more than its partners from programmes for re-training and helping the long-term unemployed.

Partners' Viewpoint

An essential role being poorly played

BRITAIN is essential to the whole process of European integration, but Mrs Margaret Thatcher is putting a brake on Britain making a more positive contribution. These are the views expressed by officials and commentators in four European capitals: Bonn, Rome, Paris and Madrid.

German commentators remain the most critical of Britain's attitude towards integration.

Mr Thomas Kielinger, editor of the Bonn-based national weekly Rheinischer Merkur, yesterday termed "grotesque" Mrs Thatcher's "schoolmaster" tone that the other European parliaments are just kindergartens.

He said: "She thinks she is a feminine version of Churchill fighting victory signs without the cigar."

The Italians are keen to distinguish between Mrs Thatcher's rhetoric and the contribution Britain has already made.

"We could not have any meaningful common security policy without the UK, while British expertise on financial issues and the importance of the country's financial role is vital for a monetary union," said one Italian diplomat yesterday.

But Italians have come to appreciate the almost manic pragmatism with which the UK scrutinises some of the more high-flown proposals associated with political and monetary unity. If a proposal can pass the London test, then it is considered to have been pretty well-drawn.

France's view is more measured. Officials are keen to draw parallels: they see Britain as having a neo-Gaullist stance on European Community integration, even if it is out of line with most of its EC partners.

Indeed, Mrs Thatcher's vision of a Europe of sovereign states has a strong parallel with General Charles de Gaulle's own view of the European Community: a gathering of independent countries with shared interests.

Britain as an alternative ally to the worryingly powerful unified Germany, its decision at long last to enter the exchange-rate mechanism and its unwavering observance of EC legislation tempt French politicians to believe that the UK is, at some level, European.

In Madrid, Spanish officials are certain that Britain will join a monetary union and adopt a single currency if that is what the rest of the community decides to do.

Mr Carlos Solchaga, the finance minister, has been particularly kind about British proposals for a "hard" Ecu and European monetary union.

But on a practical note, the Spanish simply assume that Mrs Thatcher will not be around long enough to prevent the inevitable - and may not be able to prevent it even if she is around.

David Marsh
John Wyles
George Graham
Peter Bruce

EUROPEAN INTEGRATION

Still incorrigibly British after 18 years

IT HAS been quite a week for Britain's links with Europe.

For the first time since the geological explosion that tore the islands from the continent, they have been reconjoined by the Channel tunnel. And now, with the resignation of Sir Geoffrey Howe, it is likely that Europe will dominate politics until and beyond a general election.

But how much does the European Community matter to the average Briton, and how much has it changed our habits since we made the historic, lurch into the Common Market on January 1 1973?

We still drive on the wrong side of the road, still prefer our beer flat and warm, and still vastly prefer cricket to bowls or cycle racing.

However, the tempo of the changes seen in the last 18 years is likely to increase. The UK has drawn much closer to our European partners in many areas, including:

Trade: EC countries were responsible for virtually half of Britain's trade, excluding invisibles, in 1989, compared with under one third in 1973. British exports to the EC were £47bn out of a total of £93bn, and imports were £53.5bn out of a total of £121bn.

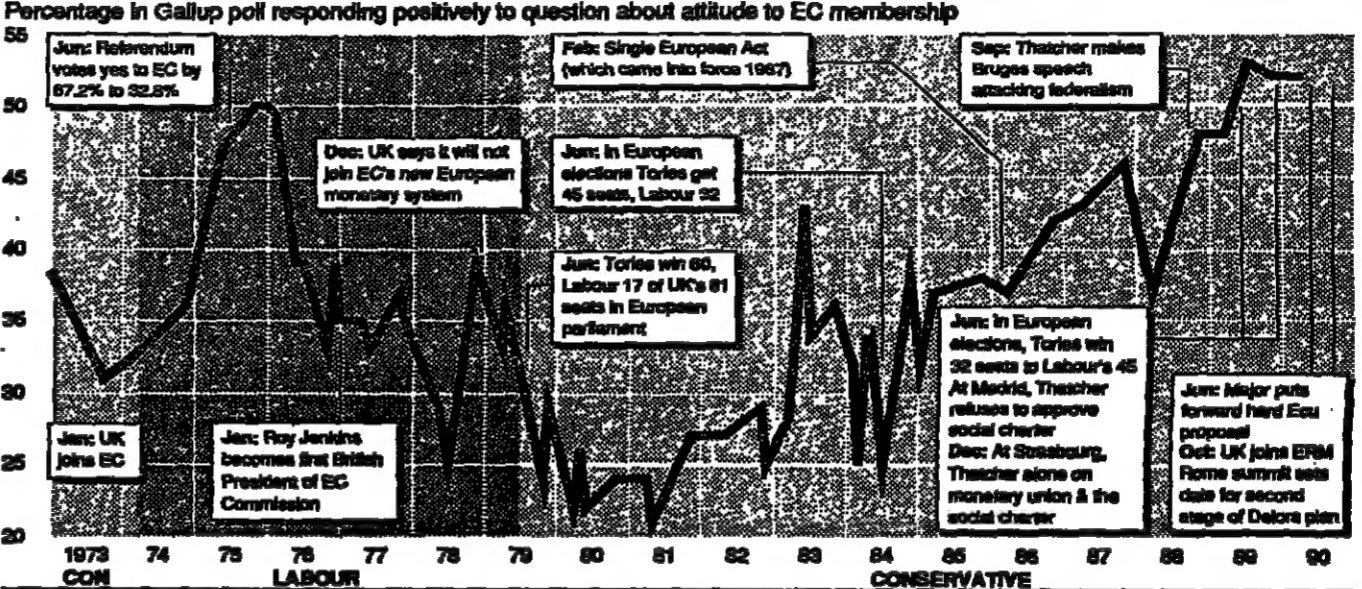
Industry: There have been considerable changes, with heavy investment by British companies in Europe and vice-versa, plus many mergers. The main trend, according to the Confederation of British Industry, has been for some of the larger industries, such as chemicals and food, drink and tobacco, to move towards a European scale of operations, spurred on by the challenges of 1992.

In areas such as aerospace there have been specific links, with British Aerospace taking a stake in the Airbus consortium with France's Aerospatiale and Germany's MBH.

One of the most noteworthy links has been the French

How Britons have viewed Europe since EC entry

Percentage in Gallup poll responding positively to question about attitude to EC membership



incursion into the UK's wine industry, with three French companies buying more than half of the 28 small private suppliers as well as stakes in the privatised wine companies.

Travel: Continental Europe remains easily the most popular destination for Britons, and an increasing number of Europeans are visiting the UK. Travel to western Europe has increased by nearly 40 per cent in the last five years, and there were nearly 26m visits by Britons to western Europe last year, representing 84 per cent of total visits abroad.

According to the Association of British Travel Agents, Britons in the top "AB" socio-economic group are becoming more European by learning languages and studying European cultures, while other categories "remain very British at heart wherever they are".

Eating: Gone are the days when the British taste in food

and wine could be summed up as sliced bread, meat-and-veg, the fish and chip shop, and the corner grocery.

Pubs have now to compete with wine and tapas bars, and French, Italian and Greek delicatessens and pasta shops have edged into the high streets.

Among the more popular product ranges developed by Sainsbury and other chains in the past five years are fromage frais and fresh-baked French loaves. The consumer can now pick from a range of over 100 cheeses, the majority from countries like France, Italy, The Netherlands and Germany.

The British still prefer their own beer to that of any other country's, but now consume a much greater quantity and variety of European wines than they used to.

Labour mobility: The notoriously mono-lingual British worker has been slow to develop pan-European ambi-

tions, although many university graduates are becoming increasingly interested in working in Europe.

Of 2,500 students in the UK and the continent recently surveyed by the Royal Mail, 85 per cent of the British graduates said they would like to work abroad.

Some 63 per cent of the UK graduates said their first choice was Germany. UK graduates still lag behind their continental counterparts in language skills. Only 32 per cent of the British students could speak a foreign language, compared with 85 per cent of other European students.

Culture: When it comes to reading books and newspapers, or watching television, the majority of Britons still believe their country has more to offer than the rest of Europe. Nevertheless, the UK has become less insular in recent years.

There is not one European

writer in translation in the current bestseller list of Bookseller magazine, although works by writers such as Sartre, Camus, Primo Levi and Umberto Eco retain their popularity among intellectuals.

Television programmes bought from the Continent accounted for only 6 per cent of BBC 1 programmes last year, and the most popular viewing slots were occupied by Eastenders, Neighbours, Birds of a Feather and Bread - about as insular as you can get.

However, the BBC's French, Spanish and German courses are rising in popularity, and surveys show that roughly half of the 300,000 readers of Mr Robert Maxwell's newspaper, The European, are British.

Richard Evans
Jimmy Burns
Richard Donkin

SOVEREIGNTY

Limits defined precisely in treaties that underpin EC

"WHAT is being proposed now is the back door to a federal Europe, which we totally and utterly reject."

Thus spoke the prime minister in her replies to parliamentary questions last Tuesday.

Meanwhile, Mr Helmut Kohl, Germany's chancellor wrote in the FT this week that "the EC is the core of, and the foundation for, the unification of Europe. In line with the vision of its founding fathers, we wish to develop the Community into European Union."

Quite fundamental differences seem to exist between these views about the ultimate objectives of the Community.

Yet whatever Mr Kohl may wish or Mrs Thatcher fear, "sovereignty" does not seem to be at issue in any of the EC's actual or currently proposed powers.

Sovereignty refers to the ultimate repository of legislative authority. The EC is established under a treaty that has been passed by national parliaments. The EC cannot dissolve the national parliaments; but national parliaments can dissolve the EC. Thus national parliaments remain sovereign.

The treaties associated with the EC (most importantly, the

Treaty of Rome and the Single European Act) provide specific constraints upon the actions of individual member governments, principally vis-à-vis private individuals, and pool the exercise of specific powers of governments.

Powers are pooled where it has been agreed that they can be exercised more effectively together than in isolation. In addition, the Commission has the right to exercise certain powers autonomously, notably those over competition policy.

Under the Single European Act, qualified majority voting applies to the pooling of powers for the purpose of completion of the internal market.

In effect, the EC obtained the right to exercise certain delegated powers without the specific consent of the governments of all individual member countries.

Mrs Thatcher accepted this important step in the delegation of power to the EC, however unwillingly, because she was persuaded that the internal market programme could not be achieved without it.

The inter-governmental conferences on economic and monetary union and political union, due to start in December, have on their agendas treaty changes to delegate cer-

tain powers to EC institutions where such delegation does not now exist, or to introduce qualified majority voting where unanimity is now required.

Under Emu, the powers that would have to be transferred are those relating to monetary policy, most of which would be handed over to a European Central Bank. Also under consideration are possible EC controls on fiscal deficits. In addition, there are proposals for qualified majority voting in areas such as social policy, the environment and aspects of fiscal policy that are related to the internal market.

Under political union, the Commission has suggested that the parliament should have its right to amend EC legislation extended and the council of ministers should have wider decision-making powers in foreign and security policy.

Of this, Mrs Thatcher has said that it would mean a loss of British sovereignty, properly understood. That would occur only if a federal constitution were agreed that precluded secession and provided for a division of power among elements of government, each sovereign in its own domain.

Martin Wolf



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James Buxton

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The Tories' choice

UNDER the rules of the Conservative party, any election for the leadership must be initiated within 28 days of the opening of a new session of parliament. The forthcoming session opens on Wednesday. There are only a few weeks left in which to establish whether there is to be a challenge to Mrs Margaret Thatcher this year. If there is none there will be no formal mechanism able to bring about a change before another year has passed. Mrs Thatcher would be certain to lead the party into the next general election, barring accidents, a voluntary decision to retire or, if the Tories were in desperate trouble, a backbench revolt of such proportions that it could not be ignored.

Diminished standing

Europe has, however, done the most damage. The resignation of Sir Geoffrey Howe on Thursday night was the latest in a series of ministerial departures brought about by Mrs Thatcher's inability to unite the party around a coherent and diplomatic approach to the further development of the European Community. There are many questions to be asked about the next stages of economic, monetary and political union, but, by repeating her performance as an histrionic won't-budge bargainer before an audience that knows she boggles in the end, the prime minister has diminished her own standing and antagonised other EC leaders.

On the positive side of the ledger, the prime minister is a politician of high quality and remarkable achievement. Under her guidance, a huge, and on the whole successful, revolution in British attitudes and practices has been pushed through. The trade unions have been tamed. Most state

industries have been privatised. Good husbandry has begun to be understood. She has a steady nerve: her moves to reshuffle her cabinet yesterday indicate her ability to recover at speed from adversity. Mr Kenneth Clarke should make a more forceful impact on the education debate than his predecessor, while Mr William Waldegrave may achieve the desired trick of reducing the intensity of debate over the health reforms. Mr John MacGregor is in the right place as leader of the house.

Ongoing ability

Faced with such evidence of her continued ability to do her job, Mrs Thatcher's close supporters are understandably reluctant to accept any proposal to abandon her now. A contested election, conducted while she chooses to stay in office, would be deeply divisive. Some also say that a contest during the next few weeks, while there might be a war in the Gulf, would be unseemly, but there is limited force to this point: such a war would be mainly US-led.

In any event, it is not easy to name a successor who could both unite the party and lead it to a fourth election victory. Mr Michael Heseltine is shown by the polls to be the most likely to win an election, but his views on the EC and his perhaps undesired reputation as a dirigiste would weaken him on party unity. Mr Douglas Hurd, the foreign secretary, would be excellent on party unity but no one proposes him as a charismatic figure able to attract wavering voters. Mr John Major, the chancellor of the exchequer, and Mr Christopher Patten, the environment secretary, are both relatively inexperienced and still have something to prove.

Yet Mrs Thatcher is nearing the end of her political career and there is a case for deciding the succession sooner rather than later. The best course would be for Mrs Thatcher to resign voluntarily during the next few months, giving a new leader time to establish himself in the year or so that would remain before the next election. If she declines to do so, many Tory MPs may feel that a challenge to her leadership would be too damaging, and too uncertain in its outcome, to contemplate, and that they would do better to soldier on as they are. This would not necessarily be a bad decision, since another Tory victory under Mrs Thatcher is by no means out of the question. But if they follow this course, Tories should be under no illusion about the risks they would be taking.

It was time, a member of her government reflected yesterday, for the sole remaining survivor of Mrs Margaret Thatcher's 1979 cabinet to depart.

For the sake of the party she had led to three successive victories, the prime minister should follow the lead set by her erstwhile deputy Sir Geoffrey Howe and go gracefully.

The Conservatives would then have a chance to bridge the chasm over Europe into which they threatened to fall. If the economy came right in 1991 it might yet be possible to avoid handing the country over to Mr Neil Kinnock at the next general election.

The tone became almost wistful as the minister - his instincts rooted firmly in the centre-ground of the party - spoke of the powerful influence that Mr Dennis Thatcher exerts over his wife.

Dennis would not want her to fight on and risk being driven ignominiously from Downing Street. Surely he would tell her that it was better to retire now to the home that awaits them in Dulwich?

It was a judgment offered in hope rather than expectation. A few moments later the same minister was contemplating the prospects of picking up his old career outside politics after Mrs Thatcher's defeat at the general election due by mid-1992.

The dramatic resignation on Thursday of Sir Geoffrey Howe has left a

majority in the cabinet persuaded that their fast-evaporating hopes of a fourth term would be revived if not entirely restored under a new leader.

But the defiant message from the prime minister's camp is that her opponents will have to risk civil war in a formal contest later this month if they want to her go.

The argument against a contest has some force. Victory for Mr Michael Heseltine, the pro-European former defence minister with the best chance of defeating her, could split the party.

There is, too, an unspoken assumption that the ever-closer threat of war in the Gulf means Mrs Thatcher's position is untenable. Her views on Europe are out of step with all but a handful of her cabinet. "So does Ken (Baker) think that the other 18 of us have to go for the sake of party unity," was the acid reaction of one cabinet minister on Thursday night.

The same argument had been heard, another colleague commented, after Mr Nigel Lawson's spectacular resignation just over a year ago because of Mrs Thatcher's refusal to take sterling into the exchange rate mechanism of the European Monetary System.

Mr Major had achieved that goal only last month. But the always dubious accolade that by tying sterling to the D-Mark the government could wish away further internal conflicts was never fulfilled.

Other ministers did little to disguise their suppressed bitterness about the way the government is being run. At Thursday's cabinet meeting - Europe was left off the agenda. Instead Mrs Thatcher berated Sir Geoffrey about some of the details of the new legislative programme in the Queen's speech next Wednesday.

It is not that the cabinet is full of federalists, though there are a couple - Mr John Gummer at agriculture and Mr Kenneth Clarke, formerly health, and now education, secretary. On the other side of the argument Mr Cecil Parkinson, the transport secretary, and Mr Norman Lamont, the

Compromise over the issue of Europe may be too late to save Mrs Thatcher at the next general election, says Philip Stephens

Divided Tories await the deluge



on with uniting the party around its positive - though anti-federal approach - to Europe.

Most senior ministers, however, fall in behind the "positive pragmatism" of Sir Geoffrey or Mr Hurd. They do not want to see the pound abolished by Mr Jacques Delors. They dislike instinctively the idea of an unaccountable European central bank.

Nor are they attracted to grandiose schemes for political union. They believe the Community has to keep its door open to the emerging democracies of eastern Europe - to be ready to widen as well as to deepen.

Their starting point, however, is that the future lies with Europe: that they cannot make the mistake of the 1950s and try to stay outside. So the

chief secretary to the Treasury, are close to the prime minister.

Further integration would be a precursor to domination by Brussels or Berlin according to this view. It would reinstate the interventionism which Thatcherism had dismantled. The powers of Westminster would be reduced to that of a charge-capped local authority.

The dozen or so Tory MPs committed absolutely to the preservation of "sovereignty" can rely on the emotional stroke in the Tory party which binds it to the symbols of Britain's past greatness. As Mrs Thatcher showed in her emotional performance in the House on Tuesday, respect for the pound, parliament and the flag are part of the Tory psyche.

Then there are the federalists on the backbenches - another handful. Mr Edward Heath, the former prime minister ousted as party leader by Mrs Thatcher in 1975 is the most notable. Mr Heseltine might - just - fall into that camp, though his approach is rooted in a judgment of Britain's national self-interest rather than in any philosophical commitment.

Mr Heseltine, whose own clash over Europe with Mrs Thatcher led him to quit her government in 1986, regards her concept of sovereignty as analogous to the illusive freedom of the man alone in the desert.

The great mass of MPs, however, are neither Europhiles or Europhobes. They would like to keep the pound and are jealous guardians of both the mystique and authority of their Westminster privileges. But they are conscious that the party's business masters will not be denied the profits

of participation in closer integration.

For one MP the issue of sterling's possible replacement by the Ecu was simple: "If we think the business is going to Frankfurt surely we can give up one side of our banknotes to the Europeans... we can keep the Queen's head on the other."

As Mr Kinnock has nudged the Labour party towards the eventual acceptance of a single currency, Tory ministers have found themselves upbraided regularly by their natural allies in the business community.

Concern that British risks being consigned to the slow lane of a two-speed Europe is driving the efforts of Mr Major and Mr Hurd to build a positive position at two intergovernmental conferences scheduled to start in December.

Mr Hurd, who believes that the conference on political union holds few hazards, was at his unflappable best yesterday. "This drama, like other dramas, will subside," he said. "The truth is that everyone has his own tone and style. There is no split."

That, too, was said in hope as much as expectation. The foreign secretary, like the chancellor, is said to believe that hopes of finding a compromise on the much more vexing issue of monetary union have been severely damaged.

While Mr Hurd was telling colleagues this week that the blame for the debacle in Rome rested squarely on the Mrs Thatcher, however, he was publicly denouncing Mr Delors for seeking to "extinguish democracy".

More important, she decisively undercut Mr Major's plan for a common currency - the foreign secretary, an alternative to the Delors plan. The prime minister declared bluntly that she had accepted it but did not think it would catch on.

It was that - and her unashamedly populist defence of all things British against the evil European - that persuaded Sir Geoffrey to go. For all the talk about differences of tone, he quit because he could no longer stand what he regarded as the prime minister's ingrained anti-Europeanism. Mrs Thatcher's instinctive allegiance, a colleague commented, lies with the US: "It always has and it always will."

It was that, too, that mattered to Sir Geoffrey. His fear, which remains that of many of the colleagues who are still in government, is that Mrs Thatcher might yet try to fight the next election draped in the Union Jack.

Ironically, just as Mr Lawson's resignation became the precondition of Sir Geoffrey's departure, the prime minister's departure will strengthen the hand of Mr Hurd and Mr Major against the prime minister on monetary union.

As one minister commented with scarcely concealed bitterness earlier this week: "Waving the flag may win the vote of Essex man but it won't carry the party." For the next few weeks and months it is the party that Mrs Thatcher has to woo.

But if she does decide that a graceful compromise with her European partners is a price worth paying to stay in Downing Street, it may come much too late to save her government from defeat at the election.

Even before Thursday's dramatic events there was a growing mood in her government that it had lost its way. That Thatcherism was an idea and an ideology which was locking the Conservatives into the 1980s.

The reshuffle may ease some of the recent pressures on education and health. Mr Major may yet fulfil his promise and begin to get inflation and mortgage rates sharply lower from next spring. It is even possible - though unlikely - that the poll tax will not prove quite as disastrous next year as the government fears.

Returning the government's policies to the current mood of Britain will be much, much harder. It looks, said the minister quoted at the start of this article, that the Mr Kinnock who abolishes the pound.

MEN IN THE NEWS

De Michelis, Andreotti, Padoa-Schioppa

Team tactics score goal for Italy

By John Wyles



week must partly reflect an awareness that Mr Andreotti has backed her into a very concrete cell from which there are only two exits: one out of the Community or one towards economic and monetary union. Mr Andreotti's exploitation of Chancellor Kohl's readiness to embrace a January 1 1994 starting date for the second phase of Ecu effectively brought into line governments such as the Spanish which only six weeks before had appeared to be wavering in their readiness to move swiftly in this direction.

Until last weekend, Mr Gianni De Michelis, foreign minister and second-in-command of the RIF had taken most of the limelight in the Italian crusade for a deeper and ultimately wider EC. He, if anyone, would have been determined to outmanoeuvre Mrs Thatcher last weekend for two reasons. His political sense, different from but no

less acute than Commander Andreotti's, told him that Ecu had to be effectively launched last weekend if the EC's instantly more cautious finance ministers were to be held at bay and prevented from submerging the IGC in a morass of technical arguments over economic convergence. His second reason was slightly less noble but nonetheless compelling. The wave of criticism in the British press on the organisation of the Italian presidency principally in the Times and the Economist, was as wounding and condescending towards the foreigner as only a British pen can be. It was also seen as inspired by Downing Street and requiring a response which would teach Mrs Thatcher in particular and the British media in general not to underestimate the powers of the RIF more cautious finance.

Its third component, as chief technical officer, is Mr Tommaso Padoa-Schioppa, whose elegant crystal-clear intellect would be revolted by the designation of Ecu as a mere technical device. He would try to concede a greater importance to Mr Mario Sarcinelli, the director-general of the Italian Treasury and current chairman of the EC's Monetary Committee. But it is Mr Padoa-Schioppa, a 50-year-old deputy director-general of the Bank of Italy, who has Italy's most fertile mind on Ecu issues, having been for five years director general for economic affairs at the European Commission and most recently secretary to the Delors Committee, whose report on Ecu Mrs Thatcher would hold to be the basis of all current woes. His role in the coming weeks will almost certainly be as the architect for the bridge which will have to be built if any attempt is to be made to carry the UK along with the Ecu process.

for the transitional phase to monetary union has to be accommodated in some form, or another if the British chancellor is to be able to carry his reluctant prime minister with him on Ecu. But Mr Padoa-Schioppa has already clearly signalled his intentions. The Ecu and the Bank of England that the hard Ecu is unlikely to be taken seriously unless the British government ceases to attack the very concept of monetary union. He believes also that Britain has to accept that the Ecu's future must not be left to wait upon the embrace of financial markets; rather it must be fostered as the future single currency at the beginning of the second phase by the new European Central Bank.

The RIF's tactics in the run-up to the two IGCs in mid-December will be based on maintaining the closest possible alliance on political union issues with Chancellor Kohl and his foreign minister, Hans Dietrich Genscher. Among other things the aim will be to overcome French resistance to increasing the powers of the European Parliament. As far as Mrs Thatcher is concerned, the Italians have no desire to cut her adrift. Rather, they want her to understand that providing she can accept the ultimate objectives of political and monetary union - and her recent statements are far from encouraging - then she will find her partners ready to be flexible.

This is particularly true of political union, which Mr De Michelis sees as an evolutionary process to be achieved a step at a time. On Ecu, the Italians will be ready to give the hard Ecu a push, but only in a context which is clearly understood to mean monetary union and a single currency by 2000. If Mrs Thatcher does not play, then the RIF will push her to the sidelines in the sure conviction that Britain will one day have a government which recognises that it cannot stand aside from the political and economic logic of European integration.

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The Battle of Waterloo may have been won on the playing fields of Eton but the battle for dominance in the boardroom today was won on the sports grounds of the grammar school.

Over the past decade a remarkable transformation has occurred at that highest echelon of British industry. The chairman of Britain's leading industrial companies are now more likely to have been educated at a grammar school and gone to a "red-brick" university than to a leading public school or an ancient seat of learning.

For well over a century the boardrooms of British industry, and to a greater extent banking and finance, were dominated by the sons of the well-to-do. From 1850 until the 1970s the chairman of Britain's biggest companies were most likely to have been educated at a public school (especially one of the elite nine institutions known as Clarendon schools) and to have attended Oxford or Cambridge universities.

But coinciding with the first decade of Mrs Thatcher's prime ministership, the musty world of privilege in Britain's boardrooms has been turned upside down. Research at the London School of Economics today uncovered what Professor Leslie Hannah, in a lecture delivered at the LSE's Centre for Economic Performance yesterday, called an "astonishing" change in the class and educational background of today's industrial leaders.

In an almost mirror image reversal of the preceding 120 years, seven out of 10 chairmen of the boards of the largest industrial companies went either to a grammar school or to other state-maintained schools - nearly double the percentage in 1979. Chairmen who attended the nation's "best" public schools accounted for 34 per cent of top

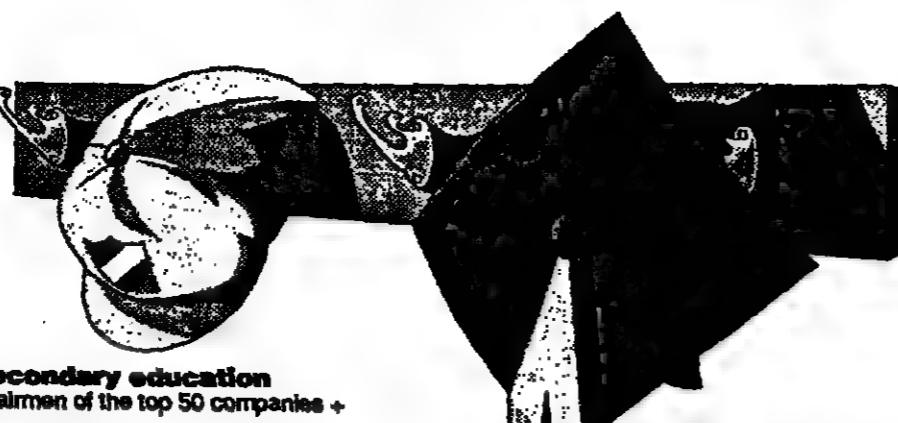
From 1850 until the 1970s, chairmen were most likely to have been educated at a public school

board posts, down from 58 per cent in 1979.

Eton, which provided five company chairmen in 1979, no longer provides any. The only company chairman to have attended a Clarendon public school is Lord Prior, chairman of the General Electric Company since 1984. He was educated at Charterhouse and graduated from Cambridge with a first-class degree in estate management.

Britain's top company chairmen are now more likely to have been educated at grammar school than public school, writes Simon Holberton

A social revolution in the boardroom



Secondary education

chairmen of the top 50 companies +

	1979	1989
Top public schools*	9	1
Other public or fee-paying**	20	11
Top grammar schools***	4	8
Other grammar schools	6	12
Other maintained schools	9	15
Education abroad	3	3
Total	50	50

*Eton, Winchester and other traditional institutions excluded. **Charterhouse, Eton, Rugby, Shrewsbury, Winchester. ***Formerly members of the Headmasters' Conference and boarding schools. Two chairmen in 1979 and one in 1989 came from fee-paying schools which were not members of HMC. **DES and SED direct grant grammar schools in 1984, mainly day schools, students from a socially wide group in society, many not paying fees.

University Education

chairmen of the top 50 companies +

	1979	1989
Oxford	8	11
Cambridge	14	5
London	4	4
Birmingham	2	5
Other UK universities	3	8
Overseas universities	3	3
No university education	19	14
Total	50	50

Note: *charities and other financial institutions excluded.

The decline in the importance of a public school education to industrial leaders is reflected in a lessening of the importance of Oxford and Cambridge. While both are still the most dominant universities - they now account for 32 per cent of chairmen against 38 per cent in 1979 - the share of company chairmen from "other", mostly red-brick, universities has more than doubled.

The change at the top of industry is also seen in other institutions of the establishment, notably the civil service. Sir Terence Fisher, permanent secretary at the department of the environment, was brought up on a council estate and left school at the age of 16. The Treasury's two most senior officials - Sir Peter Middleton, permanent secretary, and Sir Terence Burns, chief economic adviser - both attended grammar schools and non-Oxbridge universities. All rose to prominence under Mrs Thatcher.

Yet, in the apparent growth in meritocracy at the expense of the old ruling class in any sense attributable to the prime minister and her particular brand of conviction politics.

She has a penchant for self-made men of action such as Lord King, the non-university-educated chairman of British Airways, and political soul-mates such as Mr Norman Tebbit, high Tories whose values used to dominate the party, such as Lord Prior or Mr Francis Pym, have been given short shrift.

Many, if not all, of the economic policies associated with Thatcherism have been in the direction of promoting greater freedom for businessmen. The now not-much-talked-about "supply-side miracle" of the 1980s was meant to have been the result of lifting the yokes of bureaucracy from the shoulders of industry, of allowing managers to manage.

But if the meritocrats who reached the pinnacle of industrial leadership by the end of the decade found the economic environment they operated in more flexible and free, their success in getting to the top is likely to have had little to do with Thatcherism.

They are the generation which benefited from the "One Nation" Tory ideals - now out of favour in Downing Street - which inspired A. B. Butler's war-time education reform that led to the creation of the grammar schools; and the opening up of opportunity to all classes by Clement Attlee's post-war Labour government.

As Prof Hannah said, the reality of today has its foundations in developments which took place 20 or 30 years ago.

The change has as much to do with Wilson and Benn and unleashing "the white heat of technology" as it does with Mrs Thatcher.

In his lecture yesterday he noted that the average age of the chairmen in the sample was 59 last year. Typically, they finished their education in the 1950s and progressed through middle management

positions in the 1960s and board prominence in the 1970s.

"These were decades of widening educational opportunity, but also, we are now prone to forget, of profound changes in attitudes both within and towards business. As the major continental European countries began perceptibly to overtake British living standards in the 1960s, social and cultural changes accelerated, stimulated by the increased contemporary perception of the national industrial and personal importance of business success."

The widespread view that English culture is inimical to business - a view controversially propounded by the American historian Martin Wileger in his 1981 book *English Culture and the Decline of the Industrial Spirit 1850-1980* - was, according to Prof Hannah, being confounded in the 1980s.

In the first half of this century, possibly only a third of university graduates opted for a career in industry and commerce; by the 1980s the proportion had reached two-thirds. In 1989, about 80 per cent of men graduating with first-class honours degrees sought employment in industry and commerce.

Five of the current top 50 chairmen have first-class honours degrees and three have masters of business administration degrees. Given the trend towards highly qualified graduates seeking a career in industry, Prof Hannah believes the successors to the cohort of chairmen will be drawn from an impressive pool of talent.

"It would take a curiously myopic and self-satisfied academic to feel that these trends alone - deep-seated and long-run though they are - will guarantee Britain's business success in the 1990s," he said in his lecture.

"But, equally, it would take

'The change has as much to do with Wilson and Benn as it does with Mrs Thatcher.'

a peculiarly British form of cultural deformation to argue that the shift towards meritocracy and positive graduate attitudes towards business will not greatly strengthen the capability of British business to further improve their strategic performance in the increasingly competitive markets they now face.

Human Capital Flows and Business Efficiency: Sense and Nonsense in the Winner Thesis.

Countdown for the former junk bond king

Michael Milken's sentencing will lay down a marker on white-collar crime, reports Nikki Tait

High drama was the advance billing given the pre-sentencing hearing of Mr Michael Milken, the former junk bond specialist at Drexel Burnham Lambert, the investment bank. In the event, as proceedings shifted to a courtroom last week, the impression was more farcical: full of dark hints and pregnant suggestions, but one which left the audience uncertain as to what conclusions should be drawn.

The case matters, for reasons which go beyond the personal fate of Mr Milken. It has an extraordinarily high profile in the US. It is of a completely different order, say, from that of the Guinness trial in the UK. As a result, the sentencing - expected shortly - will set a marker in the public consciousness on how "white-collar" crime is treated.

In addition, the Drexel-Milken story is anything but closed. Drexel sought protection from its creditors under Chapter 11 of the US Bankruptcy Code earlier this year, but the extent to which its activities - and those of the junk bond department in particular - may have contributed to the multi-billion dollar savings and loan debacle has yet to be fought out in the bankruptcy courts.

Another large question mark hangs over how much money remains salted away in Drexel's employee partnerships, and whether the investment bank itself may be entitled to reclaim any of it. Investors with civil damage suits may yet look to Mr Milken as a means of recouping money. Prosecutors of other Drexel employees are under way or in preparation.

The hearing was a legal oddity in that it examined alleged crimes which Mr Milken

denied. Mr Milken had already pleaded guilty to six charges related by securities law violations and agreed to pay \$800m in fines and restitution - probably the most onerous financial sum in the history of the securities industry. In return, he received immunity from further prosecution for himself, his family and his brother Lowell, a key figure in Drexel's Beverly Hills operation.

But while five of these charges related to specific

events, the sixth was a broader conspiracy charge. In his plea, Mr Milken acknowledged other unspecified acts "which were wrong". The prosecution submitted a 130-page sentencing document elaborating on them, and Judge Edmund Wood allowed 40 hours of testimony focused on three allegations.

The prosecution had several problems to contend with. Witnesses were testifying about events that happened between 1983 and 1988, a lapse of memory littered the record.

For example, Mr Peter Gardiner did not remember whether he had telephoned Mr Gary Mautsch, another Drexel employee, about the shares of Wickes, a home products company. Mr Mautsch, lounging in the witness box, said that at Mr Gardiner's orders he had asked Boesky Organisation, headed by Mr Ivan Boesky, the arbitrator, to inflate Wickes's share price by buying stock.

Mr Gardiner had no memory of his supposed conversation with Mr Mautsch, yet his recall of other events on the same afternoon was surprisingly clear. He described graphically how Mr Milken pointed to his trading screen and said: "Peter, Wickes, six and one-eighth," the price at which Drexel wanted the shares to close.

Such inconsistencies exacerbated the government's second problem, namely, that many of its witnesses (largely Drexel employees and clients) had traded their stories for immunity from prosecution. Worse, their tales had altered along the way. Mr Milken's lawyers did not miss their chance to point out another instance of your lying under oath: Mr Arthur Liman, Mr Milken's lawyer, asked one witness.

The third and arguably most serious flaw was that the prosecution failed to pin down Mr Milken personally and irrevocably in most regards. The more ambiguous flavour appeared in testimony by Mr Jim Dahl, Drexel's former head salesman, about Mr Milken's reaction to news that Mr Boesky - with whom Mr Milken had a long and allegedly illegal trading relationship - had co-operated with

the government in the face of insider dealing charges. Mr Milken, he said, told him that no subpoenas had been issued (although, in fact, they had). "Do what you have to do," the junk bond king is supposed to have said.

Assuming Mr Dahl's account is true, this is scarcely the behaviour of an unworried man. But does it constitute proof of obstruction, as implied by the prosecution?

Time was very much on the government's side. As the hearing wore on, too many questions were left unanswered. At the very least, it was hard to walk away from the courtroom without a reinforced impression of a further immunity before he could testify in his own defence. The judge said he did not; Mr Milken did not appear.

What will Judge Wood decide? Her choice is wide - anything from a maximum jail term of 18 years to "community service".

Most observers guess that Mr Milken will be sentenced to five years in prison, two years more than Mr Boesky received. But the judge's hostility towards Mr Milken's lawyers, and the already improvements in the prosecution case as the weeks wore on, lead some of Mr Milken's critics to predict harsher terms. Compounding this theory is a widespread suspicion that Mr Milken, who, unusually, agreed to co-operate after his sentence was handed down, may not be overly forthcoming if given little time to serve. The reasoning is that the heavier the penalty, the more anxious he will be to

pare it down by assisting further inquiries. A heavy sentence could give the authorities more leverage.

LETTERS

A-levels and the independent school

From Mr V.S. Anthony.

Sir, You have given prominence to arguments for the maintenance of what is best in our present system for educating sixth formers. Robin Reeve ("Why reform holds no lessons for the able," October 17) and your education correspondent, Norma Cohen, have made out "the powerful case for A-levels" and pointed to the dangers of some of the proposals for AS/A-level reform contained in the consultation document of the School Examinations and Assessment Council (SEAC).

However, it would be wrong to suggest "Time to reform A-levels," (October 29) that independent schools are against curriculum change, or that such change cannot be achieved while retaining

A-level, at least for the more able pupils.

The Headmasters' Conference has for some time been arguing for a range of post-16 courses designed to meet the needs of each ability group. Apart from A-level, there should be AS-levels intermediate in standard between GCSE and A-level. There should be appropriate vocational courses provided perhaps by BTEC. Some schools might use the International Baccalaureate.

All pupils in the lower sixth form should study at least five subjects and there should be enough flexibility for pupils to take any combination of A-level, AS-level and BTEC considered appropriate by pupils, their teachers and parents.

From Professor Leslie Hannah.

Sir, The correspondence elicited by Mr Reeve, headmaster of King's College School, Wimbledon, may give the impression that A-levels serve the narrow vested interests of universities and elite schools, which need to be overruled for the sake of the population as a whole or the needs of industry. This is at best a half-truth.

I yield to no one in my admiration for the real benefits of the education dispensed by Mr Reeve. I benefited from a similar education for which I will be forever grateful. It meant that my specialised Oxford degree course was an easy three-year coast.

However, it rapidly became clear that I would have to undergo what, in less civilized groves of academe, would be known as remedial training, to overcome the gaps left by early

excessive specialisation at A-level. Many university departments still have to spend a good deal of time on such education for the products of schools like Mr Reeve's: whether arts men who have little idea of maths beyond the elementary stage, or semi-literate mathematicians.

Ultimately, for academic purposes, skills have to be acquired and it does not much matter when. There is no particular reason to favour the lop-sided approach induced by English A-levels, which leaves some school work to universities.

At the London School of Economics we do not need to theorise about alternative systems because most of our students now come from abroad and many do not have the alleged advantages of Mr Reeve's A-level regime. Such students do find it hard to catch up with

Modular courses might help to provide this flexibility. All of these routes should be acceptable for entry to higher education.

No single system of courses and examinations can cater for all needs within this age group, and in arguing for the availability of A-levels for the most able, independent schools are not opposing the introduction and development of other courses suited to the needs of other pupils. Indeed, teachers from our schools are heavily involved in a range of curriculum development initiatives at this time.

V.S. Anthony, *Headmasters' Conference, 130 Regent Road, Leicester*

Tilting at museum windmills

From Mr Roger Kojczyk.

Sir, Robin Lane Fox has been caught napping. His review ("Shaky evidence for the Bible's earlier tales," October 27) of the Bible and Archaeology Exhibition in the British Museum works up a lot of heat about inadmissible claims that archaeology supports the Bible. The assumption is that the admittedly well-displayed archaeological finds are lined up expressly to confirm the Bible and to support belief in the religion (or religions) in which it is a sacred text.

A glance at the exhibition guide shows this is not so. Modern scholarship, say the organisers circumspectly, "no longer tries to use archaeology to prove or disprove the validity of the Bible as a historical document, though recent archaeological and scientific advances have led to a re-examination of biblical texts in an astonishingly detailed light."

That said, the exhibition is more concerned with archaeology than with the Bible, but associated with both are disciplines or bodies of knowledge which at some points meet. A

limited display of this kind cannot attempt to be systematic or comprehensive about the points of contact, still less to present an argument or develop an analysis. All that can be done is to make a few selections of archaeological finds in the light of biblical history, leaving any conclusions for others to draw.

One of the most evocative exhibits, just in terms of common humanity, is an example of the ostraca, messages written on potsherds, from a Hebrew commander days before the fall of Lachish in 588 BC. The signals refer to YRWH (God), but otherwise have no biblical significance.

On the Dead Sea Scrolls and the Israelites in Egypt, Robin Lane Fox is, so far as he is comprehensible, quite wrong. At least that is one view, but these are matters in which opinion and interpretation come into play. It seems to me that Robin Lane Fox has gone in for the risky business of tilting at windmills in the British Museum.

Roger Kojczyk, *10 Dene Road, Northwood, Middlesex*

A healthy return for savers

From Mr G.D. Drevitt.

Sir, How right of John Major to abolish composite rates levied on savings from the start of next financial year ("A tougher man at Number 11," October 27). With hindsight how wrong of Nigel Lawson to abolish life assurance premium relief in 1984 as many savers have learnt to their cost.

Tax exempt special savings accounts (Tessas) and personal equity plans (PEPs) are all very well. However, these tax-efficient savings vehicles fail to

provide the great attraction of a real return. With Mrs Thatcher's emphasis on self-help and thrift, surely the time is fast approaching for the introduction of some form of tax incentive up front to encourage long-term - say five years or more - regular saving plans to ultimately provide capital for industry and commerce and a healthy return for savers.

G.D. Drevitt, *5 New Street, Salford, Wiltshire*

Airports or shopping malls

From Mr Peter Tray.

Sir, Duty-free shopping on arrival has, I think, been tried, in Rio de Janeiro for example, but as Mr Ryan (Letters, October 29) rightly surmised, it is not widely successful.

Another issue is the alternative to which the space presently taken by duty-free shops and, indeed, all airport shops could usefully be put. I remember when an airport existed purely for the transit of passengers. Today they resemble shopping malls with the odd aircraft thrown in as an

added attraction. Most travellers would be prepared to pay a modest increase in air fares in exchange for the greater comfort and convenience provided by larger check-in areas, lounges etc. This might even speed passengers on their way, thus avoiding the boredom leading to shopping. Bad news for BAA shareholders, but good news for passengers.

Peter Tray, *Richard, Archie & Co, Account House, 683 High Road, N12*

From Mr John Plackett.

Sir, I wish to endorse the comments of Eric Anderson, the headmaster of Eton, ("Needed: an intermediate exam," October 27).

The current system of A-levels and AS-levels offered to many sixth-formers is inadequate because the role of the AS-level examinations has not been clearly thought out. At present they are designed to complement and to contrast with the A-level subjects chosen by the more academic students. But, at the same depth as A-levels, they are unsuitable for the less academic students

whom we wish to encourage to stay on.

Mr Anderson mentions two existing models, the Scottish Higher and the AS-level, as possible ways to proceed. But he does not mention a third possibility which existed in some state schools in the late 1970s and early 1980s. This was the Certificate of Extended Education or CEE.

This examination was available in many subjects and was designed for students with higher grades in the then CSE examinations. These were students who would now obtain grades C, D and E at GCSE.

The material in my subject,

chemistry, followed on well from the work covered at CSE and would not overwhelm the weaker students who currently embark on A-level courses with little real hope of passing. It also brought to the attention of those who could subsequently take an A-level course.

When CEE was abandoned it left, and continues to leave, many students with no realistic choice for their post-16 education given that A-levels and BTEC courses are not for them.

John Plackett, *3 Green Walk, Ebor, Lancashire*

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	Overnight	11.50	11.50	Yearly	£25,000	£25,000	40 days notice or 10% of total		
	Overnight	11.50	11.50	Yearly	£25,000	£25,000	40 days notice or 10% of total		
Cavendish (0192 26814)	Overnight	11.50	11.50	Yearly	£25,000	£25,000	40 days notice or 10% of total		
	Overnight	11.50	11.50	Yearly	£25,000	£25,000	40 days notice or 10% of total		
	Overnight	11.50	11.50	Yearly	£25,000	£25,000	40 days notice or 10% of total		
	Overnight	11.50	11.50	Yearly	£25,000	£25,000	40 days notice or 10% of total		
	Overnight	11.50	11.50	Yearly	£25,000	£25,000	40 days notice or 10% of total		
Cavendish (0192 26814)	Overnight	11.50	11.50	Yearly	£25,000	£25,000	40 days notice or 10% of total		
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	Overnight	11.50	11.50	Yearly	£25,000	£25,000			

UK COMPANY NEWS

Chairman stands down at debt-laden Cookson

By Clive Cookson

MR MICHAEL HENDERSON has resigned as chairman and chief executive of Cookson, the debt-laden industrial materials group. The company has re-appointed Mr Ian Butler, who retired as chairman in May, "until a permanent successor has been identified".

Mr Henderson's resignation comes less than two weeks after Cookson agreed to sell its 50 per cent share in Thiodine to ICI, its joint venture partner, for £150m. Many analysts saw that as a forced sale at a knock-down price, and it is believed that there was some distress inside the company that Cookson got so little for a stake that was regarded early this year as being worth several hundred million pounds.

The departure of Mr Henderson was immediately compared in the City with Mr James White's resignation as chairman and chief executive of Bunzl on Thursday. There are obvious similarities - both men masterminded ambitious acquisition programmes that

went on too long and left their companies financially over-extended when interest rates went up and trading conditions began to deteriorate this year.

But sources in the Cookson group said the manner of their departure was different. While Mr White's resignation was forced by institutional investors, outside shareholders did not put direct pressure on the Cookson board or Mr Henderson. According to one Cookson insider, Mr Henderson resigned on Thursday night after it became clear that he had lost the confidence of the company's own senior executives.

Yesterday Mr Butler was unwilling to discuss exactly what had forced his friend and longstanding colleague to resign. The two had worked together for 25 years and formed a close partnership during the 1980s. Mr Butler as chairman and Mr Henderson as managing director and then chief executive - as they transformed Lead Industries, a traditional metals and chem-

icals manufacturer, into Cookson, a high tech materials group focused increasingly on ceramics and plastics.

Mr Butler, who is 65, said Cookson would look for further disposals to reduce the company's debt but declined to identify his priorities for the future. "Although I have the advantage of knowing the people and the background of the business, I have to review the current strategy before I can pinpoint the priorities," he said.

But he emphasised that the group's survival was not in question and that Mr Henderson's resignation was not prompted by any new financial or trading problems.

Mr Tim Harris, chemicals analyst with Nomura Research Europe, said Mr Henderson was right to resign. "It would have been inappropriate for him to lead the company through the recession. A chief executive who puts a group together should not be asked to take it apart again."

See Lex

Germans buy Lilley stake in Tilbury for £34m

By Andrew Taylor, Construction Correspondent

LILLEY, the heavily borrowed Scottish based construction group, yesterday sold its 25.9 per cent stake in Tilbury the British contractors and house-builders for £33.6m.

Some of the shares were acquired by Philipp Holzmann the German construction group which increased its stake in Tilbury from 14 per cent to 25 per cent.

The remaining 15 per cent were acquired by Advanta a German investment group. Lilley acquired its shares after it narrowly failed to gain control of Tilbury in a 1978 bid last summer. Lilley last month said the cost of holding the Tilbury stake had reduced its pre-tax profits by £785,000 during the first six months of this year.

The group's profits as a result fell by 20 per cent from £2.1m to £1.6m. Mr Bob Rankin, Lilley's chief executive, said profits would have fallen by only 10 per cent but for the higher interest charges associated with acquiring Tilbury shares.

Lilley said yesterday that it had sold the Tilbury stake to Holzmann and Advanta for 500p a share. This represents a loss of 85p share on average price of 635p paid for the 6m Tilbury shares. The sale however will help reduce Lilley's borrowings which at the end of June stood at £70m compared with shareholders funds of £38m.

Holzmann said that it had no intention of making an offer for the rest of Tilbury although it might review this position if a bid was launched for the company by a third party.

Holzmann is among a growing number of Continental European companies which have acquired strategic stakes in British contractors.

Approach for Xtravision

By Andrew Bolger

Xtravision, the Dublin-based video rental company, yesterday announced that Cambridge Group, the Irish-based financial services organisation, had approached it and might make an offer for Xtravision after a dramatic fall in its share price.

Xtravision was launched on the USM in London amid considerable publicity 18 months ago. The original Xtravision placing was at 140p (44p).

The shares reached just over 121 at one stage, then there were two rights issues, one at 80p, the next at 40p.

Yesterday Xtravision's shares closed unchanged at 8p - a drop of 91.4 per cent since the start of the year. Xtravision expanded too fast and severely overvalued its video stocks.

Most of Cambridge's business is in leasing.

Victims of the institutional bullet

John Thornhill examines the three board resignations at Bunzl

Six months ago Mr James White, chairman and chief executive of Bunzl, faced a barrage of criticism from private shareholders at the specialist manufacturing and distribution company's annual general meeting.

Many shareholders felt aggrieved that having been led up to the top of the hill by Mr White's ambitious expansion plans in the late 1980s they were now being led back down again with a big and costly disposal programme and falling profits.

"Too much corporate power in one pair of hands has proved too expensive," said Mr Alan Diamond, a private shareholder. Several others called for Mr White's resignation.

Mr White partly defused the situation by personally accepting a large measure of blame. But earlier this week these vociferous shareholders got their way.

On Thursday Mr White, along with Mr Paul Lorenzini, president of Bunzl Distribution in the US, and Mr Brian Ford, managing director of the service and distribution division, abruptly resigned.

The jittery market was unsure what to make of the move and Bunzl's shares fell heavily in the morning before recovering to close 3/4p up on the day at 57 1/2p.

But Bunzl was at great pains to stress that the resignation of the three directors was no reflection on the company's underlying trading or financial position.

Mr David Kendall, a non-executive director of Bunzl who became non-executive chairman following the resigna-

tions, said: "We are trying to reassure people that the company is stable and that none of the changes involved issues of the company's finances. Nobody need be concerned on that score."

Mr Kendall, a former managing director of BP Oil, said the directors' departure followed a board discussion over management style. "It was the culmination of the debate about how the company would be managed and the split of the role of chairman and chief executive," he said.

He hinted that the institutional shareholders - the Frutkin and Robert Fleming Holdings are the two largest - had exerted some influence.

One of the company's followers was blunter. "The non-executives fired the gun but the bullet was provided by the institutions."

"The City was in love with White with an unreasoning and blind passion. He was viewed as absolutely wonderful and the company enjoyed a fantastic rating. But when the market falls out of love with people it does so with a vengeance," he said.

But how do the directors' resignations leave Bunzl?

From a management point of view, the company is looking sadly depleted. But Mr Kendall said he would not be "hanging around" to find a new chief executive and in the meantime Mr White, and the other two directors, will stay with the company to give a "helping hand" during the remaining six months they have under contract.

Mr John Kenny, packaging analyst at Barclays de Zoete



James White accepted a large measure of blame

Wedd, said that as long as effective new managers could be quickly brought in then the "changes should be viewed as a positive thing".

From a trading point of view Bunzl will probably also not be greatly hampered. Mr Kendall said Bunzl was still committed to the company's existing strategy which now focused on four areas: distribution of paper and buildings materials and cigarette filter and plastic making.

Ironically, Mr White had nearly completed a substantial

restructuring programme that had gone a long way to reducing the company's most pressing problems.

Although Bunzl expanded haphazardly between 1986-89, buying businesses at the rate of about one a fortnight, Mr White had since presided over a drastic 18-month slimming down programme which raised £125m.

As a result, gearing has been brought down from over 100 per cent to a more manageable 50 per cent and interest cover is now a reasonable seven times.

Mr Mike Murphy, packaging analyst at Warburg Securities, said yesterday: "The group as it is presently constituted is in a very strong position in paper distribution in the UK and the US. The important thing is that there is some good solid long term value in the business which is not recognised on a p/e of 7.3."

Analysts' pre-tax profits forecasts for this year are in the mid £50ms - compared with last year's figure of £66.4m - and earnings per share are estimated at about 8p.

Some analysts are now recommending the shares as a risky recovery play and there is the possibility that a predator will seek to exploit the company's uncertainties.

Although it is foolhardy to suggest anything for sure in today's uncertain economic climate, it appears that Bunzl's shares may have reached a floor.

Mr Kendall certainly seems assured. "I am very confident of the future of Bunzl. I hope that the bad times are now behind us," he said yesterday.

BS merger with Scott's is strongly opposed

By Richard Gourlay

A PROPOSED merger of BS Group, the Bristol-based stadium and property group, with Scott's, the restaurant chain, yesterday found Scott's shareholders in BS following publication of an independent valuation of Scott's assets.

The document provides the latest controversy surrounding the extent BS is controlled by the Korman family, led by the 65-year-old Mr Isadore Korman, who is the chairman of both Scott's and BS.

Should the merger go ahead on the terms proposed the Korman family could exercise control over BS.

BS shareholders are being asked to approve the offer of four new BS shares for every Scott's share not already owned by BS.

This values Scott's, which runs Overtons, Scott's Shekels and Drones restaurants in London, at £7.15m. Baker Lorenz, the chartered surveyors, valued the restaurants at £8.4m.

An independent valuation of the Scott's assets by de Morgan, a surveyor commissioned by Abington Management, a private investment company

representing a collection of smaller BS shareholders, yesterday valued Scott's restaurants at £2.3m.

Abington Management has notified the takeover panel of its objections to the merger.

The Korman family and Scott's, in which the Korman family has a controlling interest, currently hold 23.1 per cent of BS's voting shares.

In 1989, the Korman family's interest in BS rose above 30 per cent, the level at which the takeover code would normally require a full offer to be made.

The Stock exchange allowed BS shareholders to approve conversion of some of the Korman interest into non-voting shares.

As a result the family now also owns non-voting shares which it can convert into voting shares by notifying BS.

Mr Edmund Bruegger, a director of Singer and Friedlander, the merchant bank which is advising BS shareholders, said he had passed the de Morgan valuation to Baker Lorenz but that he did not think the new valuation was relevant.

Telfos makes £7m provision after 'interim assessment'

By Maggie Urry

TELFOS HOLDINGS, the railway engineering group which last month accepted the resignation of its chief executive, yesterday announced a £7m provision against investments and contingent liabilities.

The shares fell 2p to 66p yesterday, and are down from 100p before the announcement of Mr Jonathan Malins' resignation on October 25.

The provisions announced yesterday were "an interim assessment" of the provisions necessary following a review of the non-core activities.

Mr Stephen Cockburn, chairman, said that the group had £10m in cash, the balance sheet was strong despite the provisions, and the engineering order books were good. He said

the provisions represented "a prudent valuation" of the investments and contingent liabilities.

A provision of £1.5m has been made against Nelson Asset Management, which owns a near 20 per cent stake in Corporate Data Science, a listed US company, writing down the stake to the market price.

A further £1.5m of the total represents losses on listed investments, some of which were exchanged for shares in a smaller companies investment trust.

Another £2m is against unlisted investments, while £2.5m has been set aside against contingent liabilities, including a guarantee on a loan made to the purchaser of a property in Yorkshire.

Sinclair 89.8% take-up

A RIGHTS issue to raise £5.58m, net of expenses, by William Sinclair Holdings, a supplier of garden products, has attracted acceptances in respect of 89.8 per cent of the total of 3.9m ordinary shares on offer.

Acceptances in respect of 2.67m ordinary 25p shares - offered at 180p - have been taken up.

Proceeds are to be used in continuing the acquisition programme, to implement an internal investment programme and to provide further working capital.

Acceptances in respect of

Leading Leisure shares suspended

By Andrew Bolger

SHARES in Leading Leisure were yesterday suspended at 2p, pending clarification of the financial position of the troubled leisure and property group.

At that price, the Third Market company has a market value of £1.3m.

Last year the shares reached a high of 98p.

In September the board said

it was "approaching a selected list of parties with a view to their taking some form of participation in the group, which might include the possibility of a full offer."

Mr Barry Mallala, chairman and chief executive, told the company's AGM in July that "confidence needs to be restored with our bankers and

creditors." At that time it had debts of £56m and gearing of 140 per cent.

On Tuesday, Leading Leisure announced the sale for £7.2m of eight bingo clubs, the Needles Pleasure Park on the Isle of Wight, and its contract catering business to Wembley, the leisure group which owns the London stadium.

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A fixed link to investor wealth, or a bottomless pit of costs? How accurate can Eurotunnel's revenue projections really be, ask Andrew Taylor and Richard Tomkins

THERE IS little doubt, even among the bitterest opponents of the Channel tunnel, that the project will now be completed. Eurotunnel, with its £532m rights issue securely underwritten and a £22m refinancing agreement with international banks, has all the cash it needs to finish the project, it says.

More than 70 per cent of the tunnels and 60 per cent of the massive rail terminals at Folkestone in Kent and Sangatte in northern France have been completed.

It is hard to believe that work would be halted even if more money were to be required.

The question, as Mr Alastair Morton, Eurotunnel's tough chief executive, puts it, "is not whether the tunnel will be built, but whether the shareholders will make money out of it."

The prospectus due to be published next week, similar to that published in 1987 when Eurotunnel made a £750m share offer for sale, will contain a health warning. Shareholders are likely to be warned that "investment in Eurotunnel still involves a significant degree of risk".

This risk can be divided in two parts.

Firstly, that the construction and installation of the railway system could face further delays and increases in costs; secondly that forecasts of traffic and revenue, which will provide shareholders with the return on their investment, may be too optimistic.

Construction costs since 1987 have risen from £4.8bn to £7.6bn - an increase of almost 60 per cent. The biggest single increase has been in the cost of tunnelling

which has risen by just over 50 per cent.

Eurotunnel argues that most of the construction risk is behind it, following the meeting under the Channel this week of the British and French ends of the service tunnel. Engineers digging the final few miles remaining of the two main rail tunnels will now have the benefit of the experience of the service tunnel.

There should be no more unpleasant surprises caused by an unexpected deterioration in ground conditions.

Work on the terminals is also well advanced and 90 per cent of the fixed equipment and all of the rolling stock has either been ordered or priced by tender. The risk of further unforeseen price rises on equipment is therefore restricted, says Eurotunnel.

These components, including the sophisticated signalling and mechanical and electrical equipment, still have to be fitted together to create an efficient and profitable railway system. The components may be standard railway equipment, involving no requirement for a breakthrough in technology, but will be operating in a unique environment in the world's longest undersea tunnel.

Nobody can be quite sure how ventilation and cooling systems will work until the first trains operate. Construction is due to be completed by the end of 1992 allowing Eurotunnel six months to get the railway running smoothly and make final tests on safety equipment and procedures. These have so far been approved in principle by a British and French Intergovernmental Safety Commission overseeing the tunnel's design.

Another issue to be resolved is that of the claims for up to £1.4bn at out-turn prices for extra payments by British and French contractors - which is disputing the claims - has made provisions of £600m-£700m within its current estimate of costs of £7.6bn to cover them. It expects to have to pay only about half of this.

In addition, the £3.7bn raised by Eurotunnel since 1986 provides a contingency of more than £1bn to cover any

further unforeseen increases in costs.

One thing that can be said with absolute confidence about Eurotunnel's revenue projections is that they are wrong.

Traffic forecasts always are - witness, to take a couple of recent examples, the severe underestimates of demand for the M25 London orbital motorway and the embarrassing overestimate of demand for the Humber Bridge.

Eurotunnel has brought as

much credence as possible to its projections by employing the services of independent traffic and revenue consultants - SETEC Economic and Wilbur Smith Associates - to draw up the forecasts.

Drawing on the experience of recent strong growth in cross-Channel traffic, the consultants predict further rapid expansion of the total market. The total of 59.7m passengers was achieved in 1989, for example, will grow to 158.6m in 2013, they say, while freight traffic will rise from 69.8m to 196.7m gross tonnes.

Within this growing market, they expect the frequency, speed and reliability of Eurotunnel's services to attract about 32 per cent of the total passenger traffic and 18 per cent of the total freight tonnage soon after the opening in 1993.

These forecasts are based on a highly detailed analysis of the marketplace, but inevitably, they rest on certain assumptions which are open to conjecture.

One is that the key macro-economic forecasts underlying the overall traffic predictions - growth in UK gross domestic product of 2.4 per cent per year between 1993 and 2003, for example - do not appear to provide for the possibility of political upheavals or any oil crisis resulting from conflict in the Middle East.

A second point of concern is that the projections seem to assume unfettered growth in car ownership at a time when concerns over the environment and sheer lack of road space suggest that constraints may eventually be imposed.

On a competitive note, too, many critics believe the projections underplay the inevitability of a price war as the

ferries fight to hold their market share by introducing larger, more efficient vessels.

But the risks are not all on the downside. For example, Eurotunnel argues that the consultants have included only a fraction of the extra traffic likely to be generated by the existence of the tunnel itself. They have also taken no account of the implications for traffic flows of the recent

Rights timetable

Monday, November 5: Full prospectus available.

Friday, November 9: Full prospectus and letters of entitlement sent to registered unit-holders.

Monday, November 12: Dealings commence in subscription rights and nil-paid rights. Existing units trade ex-rights. Telephone subscription service (0922 745745, weekdays only) begins operating.

Monday, November 26: Telephone subscription service closes.

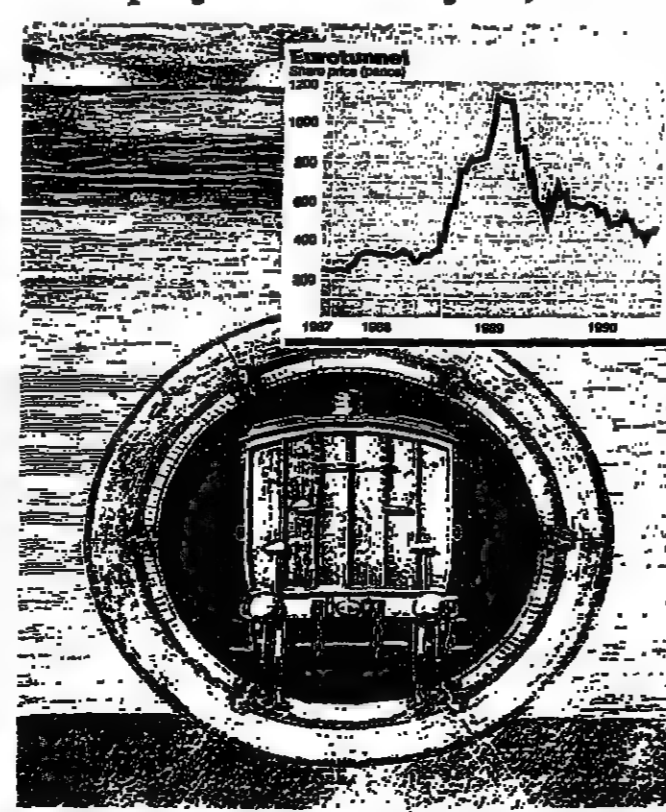
Monday, December 3: Last date for acceptance, payment in full and return of travel privilege forms (registered and direct bearer unit-holders).

Sinclair bearer unit-holders will be sent travel privilege forms by February 28 1991, for return by March 31 1991.

Liberalisation of the Eastern European economies.

The key question, therefore, is not whether the projections are correct, but whether they understate or exaggerate the likely revenues. Nobody can be sure whether Eurotunnel will be a £25 or a Humber Bridge. All investors can do is calculate whether the risks are justified by the potential rewards.

See Lex



John Bateman's 1988 plan for a tunnel lying on the sea bed: Eurotunnel holders must hope their 1990 returns will surface

1550 10/11/90

UK COMPANY NEWS

Ferranti still looking for Creditphone buyer

By Charles Leadbeater, Industrial Editor

FERRANTI International, the defence and electronics group, is still searching for a buyer of its 64 per cent stake in Creditphone, one of the four UK consortia licensed by the government to establish and operate a national mobile telecommunications service.

Ferranti put the stake on the market in July as part of the strategic review of the group's future instituted by Mr Eugene Anderson, the chairman appointed earlier this year in the wake of the discovery of a \$215m fraud at the company.

As a result of the review, the company has made a further 300 redundancies among its UK

workforce of about 3,500, after announcing a first round of 500 job cuts in July. Mr Anderson has set a target of cutting 12,700 strong workforce by 20 per cent in the next two years.

The difficulties Ferranti has experienced in selling the stake underline the pessimism about the outlook for the growth of the telepoint service. Ferranti acknowledged that talks over the sale of the stake were moving very slowly, partly because since the summer possible purchasers had become much more cautious about the outlook for the British economy.

However the company said

that following a string of disposals earlier this year, which included its highly prized radar business, it is no longer under urgent pressure to make disposals.

A string of potential purchasers have opened talks with Ferranti only to drop out. The company said it was in serious discussions with less than five companies which registered their interest in July. It said it would be "a little while" before it would be close to a deal.

The other members of the consortia, such as Fleming Ventures, Electra Investment House and Melville Street Investment are involved in the

talks but have been ruled out as buyers. It is thought some of the minority shareholders may also be looking to sell their holdings.

Ferranti said the network of 2,000 base stations and the software needed to create its telepoint infrastructure had been installed. However it has frozen all further investment in the project.

Mr Anderson said in July that the company was not financially strong enough to fund the investment in marketing, sales and customer service needed to attract subscribers. Ferranti said the numbers of subscribers to its

service was not huge but was growing. Analysts believe the telepoint operators may have attracted less than 10,000 subscribers compared with the more than 1m subscribers to mobile cellular telephone services.

Ferranti also confirmed that it has formally abandoned the sale of its Marquardt munitions subsidiary in the US, although some production is being relocated from Los Angeles in California to Ocala, Florida. It said this was because on closer examination it had found the business was more promising than it had originally thought.

London and Edinburgh downturn

LONDON and Edinburgh, the property developer which earlier this year was taken over by SFP, the Swedish life insurer, yesterday reported a fall in pre-tax profits from £30.8m to £26.1m for the first half of 1990.

The directors said, however, that on a two to three year outlook the company would once again be on a growth track.

Turnover expanded from £171m to £187.5m. There was an extraordinary charge of £3.4m (nil) for the SFP acquisition costs.

Thorn EMI buys MEL offshoot from Philips for £9.5m

THORN EMI is to acquire MEL, the UK defence electronics division of Philips Electronics and Associated Industries for a cash consideration of £9.5m.

MEL, a specialist in electronic warfare, radar and data communication systems, has a strong order book, currently worth £25m. In the year to March last, the sensors division had a turnover of about £100m.

A property presently occupied by the sensors division at

Hayes, Middlesex, should be available for disposal in due course. In addition, certain other unutilised property in the Heathrow area previously held for possible redevelopment, is now confirmed as surplus and available for sale.

The purchase of MEL comes at a time when Thorn EMI Electronics has begun to reshape its existing activities in a strategy to address the long-term implications of changes affecting the UK defence electronics industry.

Yorklyde down 12% at midterm

YORKLYDE, a manufacturer of fine clothes, scarves and rugs, suffered a 12 per cent decline from £1.56m to £1.36m pre-tax in the six months to July 31.

Turnover slipped to £6.18m (£6.79m) and operating profits were £1.18m (£1.44m). Interest payable on loan notes was down at £76,000 (£126,000). Earnings eased to 18.3p (20.8p) per share and the interim dividend is maintained at 4p.

British-Borneo

A reduced tax charge enabled British-Borneo Petroleum Syndicate to raise net profits from £1.09m to £1.25m in the six months to September 30. Pre-tax figures were static at £1.77m.

After tax of £237,282 (£278,484 including £116,116 corporation tax) earnings per share rose from 24.2p to 27.7p. The interim dividend is maintained at 8p.

The year-end has been changed from March 31 to December 31 and the current period will therefore cover only nine months.

BDA Holdings

Losses sharply rose at BDA Holdings, the south-east house builder and developer, from £755,000 to £1.6m pre-tax in the half-year to July 31. The

interim dividend is again being pressed. Turnover rose to £3.05m (£2.8m) and net interest took less at £39,000 (£133,000). There was an extraordinary debit of £270,000 (nil) and the losses per share deepened to 13.5p (5.6p).

Ralston Inv Tst

Ralston Investment Trust ended the six months to September 30 with net asset value per share of 62.4p, against 61.6p at the end of the previous first half. Total net assets amounted to £15m (£22m).

Gross revenue came to £456,000 (£574,195). After tax of £82,556 (£133,774) earnings per share worked out at 1.03p (1.53p). The interim dividend is maintained at 0.725p.

Burtonwood

Pre-tax profits at Burtonwood Brewery, the Cheshire-based brewer, slipped slightly from £2.62m to £2.38m, in the half year to September 29, although turnover rose by 15 per cent to £22.95m against £19.95m.

The interim dividend is held at 0.7p, payable from increased earnings per share of 8.5p (8.1p).

Property sales contributed £260,000 (£260,000) this time.

Centreway/Westerly

Westerly, the yacht builder and shoe maker formerly known as Centreway Industries and controlled by Centreway Trust, fell into the red in the six months to June 30. It is passing the interim dividend (1.5p).

Losses before tax were £284,000, against profits of £208,000 last time, on turnover of £11.1m, against £11.43m (£11.13m). Interest payable almost doubled to £310,000 (£165,000).

There was an extraordinary loss of £120,000 (profit £249,000). Losses per share were 4.6p (earnings 2p).

Meanwhile, Centreway Trust fared no better with taxable losses of £442,000 (profits £286,000) and interest payable up at £461,000 (£285,000) in the first half of 1990. Turnover was £12.15m (£11.84m) and losses per share 13.1p (earnings 3.2p). It also has passed its interim dividend (1p).

LOFS

London & Overseas Freighters, the oil tanker operator, lifted pre-tax profits from £742,000 to £1.1m in the half-year to March 31, 1990, but net interest payable fell to £655,000 (£831,000) enabling profits at the taxable level to rise by 50 per cent.

Earnings increased from 5.94 cents to 8.68 cents, or 3.68p to 4.87p, per share.

Pittencrieff

Pittencrieff, which invests in oil and gas properties in the US, has acquired oil and gas assets and a communications business for a total of \$2.77m (£1.42m).

Assets in the East Rhoda field in west Texas were purchased from Exxon Corporation for \$306,000.

The group also acquired A&B Electronics, a communications company based at Hobbs, New Mexico. The company, for which Pittencrieff is paying \$2.47m between now and April 1993, provides radio communications in Texas and New Mexico.

Burton Group

Burton Group has sold Bell Noble Elliott, a small fund



Sir Ralph Halpern, chairman of Burton Group

management business, to Sun Life Asset Management. This completes the sale of the fashion and department store retailer's financial services business.

The sale of Bell Noble was for an undisclosed sum, believed to be negligible. The group is due to report results for the year to end August on November 15. The market expects profits to be well down from the £223.8m

reported last year.

MMT Computing

A second-half slowdown resulted in reduced annual profits at MMT Computing. At the midway stage profits of this USM-quoted computer systems consultancy rose from \$322,000 to \$1.01m, but the taxable outcome for the full year to August 31 fell by 15 per cent from \$2.15m to \$1.79m.

Annual sales were \$7.52m (£7.44m) but cost of sales rose to \$5.24m (£4.85m). The recommended increase in the final dividend to 2p makes a total of 3p (2.45p) on earnings per share of 10.4p (12.6p).

URS Int

URS International, the USM-quoted programme and project management, engineering and architectural design group, warned of a sharp increase in first half losses and warned that there was serious doubt about its ability to function as a going concern.

Losses for the first half of 1990 rose from \$729,935 to \$1.21m (£628,000). There was again no tax and loss per share came to 0.4 cents (4.5 cents).

Keystone Investment

The net asset value of Keystone Investment stood at 382.01p as at September 30 1990. The figure compared with 450p at the interim stage and 471p a year ago.

The group's 50p share of this investment trust emerged at 18.16p (11.01p) on net revenue of £2.31m (£1.57m). The

proposed final dividend is 9p for a total of 13p (10p).

Fleming Japanese

Net asset value of Fleming Japanese Investment Trust stood at 209.3p at September 30 compared with 347.7p a year ago.

Net revenue for the year was little changed at £595,000 (£599,000) for earnings of 0.76p (0.77p) per share. An unchanged single final dividend of 0.76p is proposed.

BMSS

Taxable profits of BMSS, the USM-quoted builders' merchant, dipped 7 per cent, from \$729,000 to \$675,000, in the six months to July 31.

The setback reflected depressed trading conditions and increased interest of \$306,000 (£68,000) resulting from January's acquisition of Grundy & Pilling and Co. Sales turnover almost doubled to \$12.89m, again reflecting the acquisitions. The interim dividend is lifted to 2p (1.875p), payable from earnings of 6.06p (6.97p) per 10p share.

Caspian Oil

Caspian Oil has reported increased losses for the year to July 31, but said it was now operating profitably. Exceptional items totalling \$2.05m (£433,000) were the main factor in net losses of \$2.79m (£2.26m) at the third market trading company.

Turnover for the 12 months was \$2.19m (£1.42m). The loss per share was reduced to 6.8p (8.3p).

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1990. Compiled by the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS										Highs and Lows Index									
Friday November 2 1990																			
Figures in parentheses show number of stocks per section																			
A & SUB-SECTIONS																			
Figures in parentheses show number of stocks per section																			

INTERNATIONAL COMPANIES AND FINANCE

Molson looks for further international expansion

By Bernard Simon in Toronto

MOLSON, the diversified Canadian brewer, is exploring new ways of expanding in the international beer market by reviewing its links with Elders, the troubled Australian group. Molson said yesterday in a statement accompanying its half-year results that it is "continuing to examine" its 6 per cent equity stake in Elders' holding company, Harlin Holdings, and is "actively reviewing its options" for expansion.

These options go beyond Molson's announcement last July that it was in the early stages of talks on a significant acquisition, which was assumed to involve Elders' brewing interests, in particular Foster's Brewing.

The company is now understood to be considering, among other possibilities, an extension of its existing North American joint venture with Elders; purchases of specific Elders brewing assets; and a three-way alliance with Elders and Asahi Breweries of Japan, which last month bought a 19.9 per cent stake in the Australian company.

Molson and Elders are currently joint shareholders in Molson Breweries, Canada's largest brewer. But Molson was forced to review its international expansion strategy last month when Asahi emerged as a partner and stakeholder in Elders.

Molson posted a 14 per cent advance in earnings for the three months to September 1990. Net income before extraordinary items rose to \$38.7m (US\$52.2m), or 61.0¢ a share, from \$34.1m or 51.0¢ a share, a year earlier. Last year's bottom line was boosted by a \$61.9m extraordinary gain. Revenue rose fractionally to \$367.6m.

Earnings for the first six months of the current fiscal year rose by 8 per cent to \$75.7m.

Despite a small decline in total beer consumption, Molson Breweries operating earnings climbed by 11 per cent. The company ascribed the improvement to savings which flowed from last year's merger with Elders-owned Carling O'Keefe Breweries.

Molson Breweries has a 51.6 per cent share of the Canadian beer market and is the third largest supplier of imported beers to the US. Molson's beer sales in the US jumped by 17 per cent in the past six months, thanks largely to the launch last May of Foster's brand.

Beer accounts for more than two thirds of Molson's profit. The company also controls Diversy, a leading international supplier of cleaning equipment, and Beaver Lumber, a retail building supplies chain.

Molson disclosed in July that it had sunk \$315m into Harlin, including \$245.4m in equity and \$69.6m in the form of a subordinated note. It has also provided a \$397m loan guarantee.

The company said yesterday that it has incurred extra debt to finance its shareholding in Harlin.

Molson raised \$293m through an equity and debt offering last July to help finance its proposed acquisition.

Profits at Perrier more than double in first half

By William Dawkins in Paris

SOURCE Perrier, the French producer of mineral waters hit by a contamination scare last February, yesterday unveiled more than doubled first-half profits, thanks to a one-off gain from the sale of its soft drinks division.

Turnover at the group, which is also France's largest supplier of Roquette cheese, fell slightly to FF8.3bn in the first six months of the year, from FF8.5bn in the same period of 1989, on which net profit rose to FF650m (\$160m) from FF397m.

The profit comes after an exceptional FF18m capital gain on the sale of most of Perrier's soft drinks brands to Cadbury Schweppes, plus the unquantified extra cost of destroying 160m bottles of mineral water following allegations of benzene contamination, for which Perrier made a FF435m provision in last year's accounts. Overall, exceptional gains rose from FF130m to FF764m in the

Adsteam shares plummet in Sydney

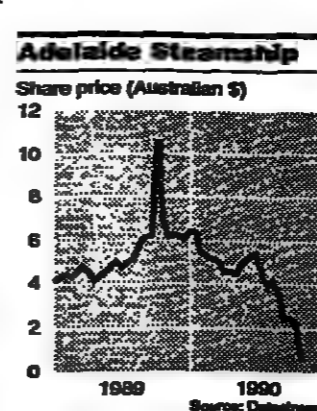
By Kevin Brown in Canberra

THE ADSTEAM group of companies controlled by Mr John Spalvin took a further severe beating on the Australian Stock Exchange (ASX) yesterday as concern over the group's debt and complex shareholding structure continued to mount.

Adelaide Steamship, the main company in the group, closed at 67 cents, above its low for the day of 46 cents, but down 68 cents on the closing price two days ago. The shares peaked at \$10.50 last year.

Analysts said the virtual free-fall in the share price showed the market was unimpressed by plans announced by Mr Spalvin (pictured) earlier this week to simplify the shareholding structure of the group and refocus its activities around its Woolworths and David Jones businesses.

The shares have been falling for several months following critical reports by Australian analysts, and an analysis of the group's structure and asset value by Sir Ron Brierley, the New Zealand entrepreneur.



consolidated accounts, but it is believed to have debts of around \$46.2bn (US\$4.86bn), principally to respect, the National Australia Bank and the Commonwealth Bank, three of Australia's main trading banks.

The banks are understood to have pressed Adsteam to try to calm the markets through a major disposal such as the sale of the up-market David Jones department store group.

The banks are said to be unwilling to force the group into receivership because of the danger of inflating their own portfolios of bad debts and non-performing loans. The banking sector is thought to have total non-performing loans of more than \$150bn.

Part of Howard Smith, an Adsteam associate company, is being offered for sale through a tendering process. The tender closes on November 16.

The 42.3m shares, 31 per cent of Howard, which is a shipping, distribution and heavy engineering company, are owned by Foster's, Asahi, another Adsteam associate.

Thai Airways poised for sell-off

By Paul Taylor, Asia Business Correspondent, in Bangkok

THAI Airways International, the state-controlled national airline, is likely to be privatised within three to nine months, according to airline officials and industry analysts in Bangkok.

The airline's executive board, bowing to pressure from Thailand's Finance Ministry, which holds 99.3 per cent of the airline, approved an initial public offering earlier this week.

Under the privatisation plan the airline, which has registered and approved capital of 3bn baht (\$93m), is likely to sell an initial tranche of 1bn baht to the general public.

In preparation for the issue Thai Airways officials, including its president, Veera Kitjaroen, visited the stock exchange of Thailand earlier this week.

The airline has still to choose its financial advisers for the flotation. Five international merchant banks, including at least one from the UK, are understood to have put forward proposals.

Thai Airways reported first-half revenues of \$921m or 10.6 per cent higher than the same period last year and pre-tax profits of \$162m, a 17 per cent increase over the same period last year and a record six-month profit for the

airline's 30-year history. The carrier's second half performance is, however, likely to be depressed by the rise in oil prices and the government's determination to hold down domestic air fares.

The privatisation plan is crucial to the airline's proposals for expanding and updating its fleet, which currently comprises 58 aircraft. Over the next five years the carrier expects to spend about 100bn baht on buying new aircraft.

With public sector borrowing capped at \$1.5m a year the airline's expansion plans would be extremely difficult to achieve without access to the equity markets.

Profits plunge at French airlines

By William Dawkins in Paris

TWO FRENCH airlines have both announced a collapse in profits just a few days after the European Commission gave Air France clearance to take them over.

Union des Transports Aeriens (UTA), which flies routes mainly between France, Asia and Africa, yesterday reported a steep fall in net profit to FF181m (\$16m) from FF204m in the first six months of the year, on revenue up 10 per cent to FF1.05bn from FF940m. It attributed the profits decline to start-up losses on new routes between the French provinces and New York.

This came a day after Mr

Pierre Kelsen, chairman of Air Inter, the monopoly internal airline, warned his staff council that he intends to resign because he "held different strategic views" to those of Mr Bernard Attali, chairman of Air France.

The national carrier, which also made a loss in the first half of 1990, acquired both airlines at the turn of the year, but had to await the Commission's agreement to consummate the deal.

Mr Kelsen had wanted to maintain the autonomy of Air Inter, contrary to the wishes of Air France, which wants to pool some of the three airlines' activities to reduce costs.

This is part of an economy drive and spending freeze announced by Air France in September.

Although profitable, Air Inter has been dogged by a series of strikes, which helped encourage the government to accept the Brussels Commission's demands to open up more routes to private competitors, the main condition for allowing the Air France takeover.

Among possible successors to Mr Kelsen are Mr Jean-Cyril Spinetta, head of the private staff of Mr Michel Delebarre, the transport minister, or Mr Jean-Dominique Blanchet, managing director of Air France.

PRE-TAX profits of Mitsubishi Motors (MMC), the company taking over the Japanese tie-in in Europe with Volvo of Sweden, jumped 32.6 per cent in the six months to September 30 to a record ¥26.13bn (\$200m).

The company also had record sales of ¥1,459.5bn, up 12.4 per cent. With the outlook continuing to be favourable, the directors have decided to raise the annual dividend to ¥6 per share from ¥5.5 per share, with the increase coming in the ¥3 interim payment.

MMC officials attributed the double digit rise in sales and profits to an 11.3 per cent rise in unit sales of new cars in the domestic market as well as the favourable impact of the yen's decline against the dollar. Net income surged 28.4 per cent to ¥12.1bn.

Mitsubishi Motors in 32.6% jump

By Ian Rodger in Tokyo

Asked whether MMC is still in talks with a number of European car makers looking to join the Volvo, or just with Volvo, Mr Data said MMC was not talking to more than one car-maker.

MMC said in October it was holding talks with a number of European car makers.

Loews income leaps 48.5%

LOEWS Corporation, the New York-based property, hotels, cigarette, insurance, oil drilling and watches conglomerate that also holds a key stake in CBS, the television network, yesterday unveiled an impressive 48.5 per cent leap in net income for the third quarter to \$271.3m, writes Alan Friedman in New York.

The profits rise, which translates into earnings per share of \$3.69 (against \$2.43 a year ago), sent the company's share price up 8 1/2% yesterday morning to \$79 1/2.

Third quarter revenues were \$2.3bn, against \$2.6bn.

Afrox improves slightly to overcome slowing economy

By Philip Gawth in Johannesburg

AFRICAN Oxygen (Afrox), the gas manufacturer controlled by the BOC group of the UK, overcame a slowing economy to record significantly improved profits in the year ended September 1990.

Turnover rose by 34.2 per cent to \$903.9m (\$355m), trading profit was up by a similar margin to \$184.4m and attributable profit rose by 29.2 per cent to \$66.7m (\$51.8m).

Mr Peter Joubert, chairman, said that the group had paid great attention to operating

efficiencies as reflected in debtors and stock levels which were at almost the same level as in 1989.

Net interest payments almost doubled to \$30.7m reflecting higher interest rates and expansion, mainly in the gas business.

Mr Joubert said the company's current expansion phase would continue with the majority of capital expenditure going towards upgrading plant and facilities in the gas business.

Japan Airlines declines 2%

JAPAN Airlines announced a 2 per cent decline in pre-tax profits to ¥34.6bn (\$410m) for the six months to September 30, despite a 10.7 per cent rise in sales to ¥992.9bn, writes Emilio Terazono.

Operating profit fell 14 per cent to ¥4.4bn reflecting an increase in losses, especially in jet fuel, aircraft maintenance and aircraft losses. After-tax profit grew 19 per cent to ¥29.5bn.

Revenue growth reflected the popularity of increased non-stop services in operations.

Losses continue at Data General

By Louise Kehoe in San Francisco

DATA GENERAL, the struggling US mini-computer manufacturer, reported lower sales and continuing losses for its fourth quarter, including a charge to cover 8,000 layoffs in August which reduced the company's workforce by about 17 per cent.

Net losses for the quarter were \$98.3m, or \$2.95 a share, including the \$71.7m charge. This compares with a net loss of \$84.1m, or \$2.95 a share, including a restructuring charge of \$80.8m, in the corresponding period a year ago.

Revenues for the quarter were \$308.5m, down more than 13 per cent from last year's fourth-quarter revenues of \$357.1m.

Data General, like many of its competitors, is shifting its focus from proprietary software and hardware toward open systems computers that conform to industry standards and can share data and software with computers from other manufacturers.

Mr Ronald L. Skates, Data General president, said: "While overall revenues were down, compared to last year's record fourth quarter, we continue to see substantial revenue gains from our AVION family," a line of "open systems" products introduced by the company last year. Revenues from the new product line were more than \$100m in fiscal 1990, he said.

For fiscal 1990, the company reported a loss of \$138.8m, or \$4.85 a share, including the \$71.7m restructuring charge. For fiscal 1989 the company reported a loss of \$118.7m, or \$4.10 a share, including the \$80m restructuring charge.

Revenues for fiscal 1990 were \$1.22bn against \$1.31bn the previous year.

IBM is committed to the development of open computer systems, a strategy it has pursued in response to customers' needs to link its products with non-IBM machines, according to a company executive, Reuters reports. "We've made an enormous investment in this market," said Mr James Cammino, vice-president, systems.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year 1989	High 1989	Low 1989
Gold per troy oz	\$376.00	+3.00	\$360.25	\$420.25	\$346.75
Silver per troy oz	\$18.70	+1.05	\$22.20	\$29.50	\$13.50
Aluminium 99.7% (cash)	\$1,877.5	-8.5	\$1,875	\$2,227.5	\$1,380.0
Copper Grade A (cash)	\$1,947	-0.5	\$1,938	\$2,177.5	\$1,304.5
Lead (cash)	\$271.0	-1.0	\$264.0	\$290.0	\$232.0
Nickel (cash)	\$98.00	-3.00	\$101.25	\$113.75	\$89.75
Zinc 5% (cash)	\$1,235.0	-42.5	\$1,285.0	\$1,435.0	\$1,095.0
Tin (cash)	\$8,200.0	-10.0	\$7,100.0	\$7,600.0	\$5,795.0
Cocoa Futures (Mar)	\$596	-25	\$596	\$597	\$522
Coffee Futures (Mar)	\$258	-1	\$258	\$259	\$256
Sugar (LDP Raw)	\$291.2	+12.4	\$269	\$275	\$241.7
Barley Futures (Jan)	\$117.40	-0.10	\$116.35	\$117.75	\$103.45
Wheat Futures (Jan)	\$219.35	+0.45	\$211.75	\$225.45	\$111.00
Cotton Outlook A Index	\$55.00	+1.10	\$44.00	\$52.75	\$33.75
Wool (64 Super)	405p	-2.00	590p	590p	405p
Oil (Brent Blend)	\$34.05p	+1.10	\$18.90	\$30.175	\$15.575

London Markets

SPOT MARKETS	Latest prices	Change on week	Year 1989	High 1989	Low 1989
Crude oil (per barrel FOB)	\$20.15-20.25	+0.10	\$18.90	\$21.40	\$15.50
Gold (per troy oz)	\$376.00	+3.00	\$360.25	\$420.25	\$346.75
Silver (per troy oz)	\$18.70	+1.05	\$22.20	\$29.50	\$13.50
Aluminium (per troy oz)	\$1,877.5	-8.5	\$1,875	\$2,227.5	\$1,380.0
Copper (per troy oz)	\$1,947	-0.5	\$1,938	\$2,177.5	\$1,304.5
Lead (per troy oz)	\$271.0	-1.0	\$264.0	\$290.0	\$232.0
Nickel (per troy oz)	\$98.00	-3.00	\$101.25	\$113.75	\$89.75
Zinc (per troy oz)	\$1,235.0	-42.5	\$1,285.0	\$1,435.0	\$1,095.0
Tin (per troy oz)	\$8,200.0	-10.0	\$7,100.0	\$7,600.0	\$5,795.0
Cocoa (per troy lb)	\$596	-25	\$596	\$597	\$522
Coffee (per troy lb)	\$258	-1	\$258	\$259	\$256
Sugar (per troy lb)	\$291.2	+12.4	\$269	\$275	\$241.7
Barley (per troy lb)	\$117.40	-0.10	\$116.35	\$117.75	\$103.45
Wheat (per troy lb)	\$219.35	+0.45	\$211.75	\$225.45	\$111.00
Cotton (per troy lb)	\$55.00	+1.10	\$44.00	\$52.75	\$33.75
Wool (per troy lb)	405p	-2.00	590p	590p	405p
Oil (per troy lb)	\$34.05p	+1.10	\$18.90	\$30.175	\$15.575

COMMODITY - LONDON FIVE	Close	Previous	High/Low	\$/tonne
Dec 892	892	892	840	892
May 725	725	725	722	725
Sep 720	720	720	716	720
Dec 714	714	714	711	714
May 691	691	691	688	691
Sep 687	687	687	684	687

COMMODITY - LONDON FIVE	Close	Previous	High/Low	\$/tonne
Dec 580	578	578	564	580
May 580	580	580	576	580
Sep 579	577	577	576	579
Dec 578	578	578	574	578
May 563	563	563	559	563
Sep 561	561	561	557	561
Dec 559	559	559	555	559

COMMODITY - LONDON FIVE	Close	Previous	High/Low	\$/tonne
Dec 121.00	121.00	121.00	121.00	121.00
May 121.00	121.00	121.00	121.00	121.00
Sep 121.00	121.00	121.00	121.00	121.00
Dec 121.00	121.00	121.00	121.00	121.00
May 121.00	121.00	121.00	121.00	121.00
Sep 121.00	121.00	121.00	121.00	121.00
Dec 121.00	121.00	121.00	121.00	121.00

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Dec 121.00	121.00	121.00	121.00	121.00
May 121.00	121.00	121.00	121.00	121.00
Sep 121.00	121.00	121.00	121.00	121.00
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Dec 121.00	121.00	121.00	121.00	121.00
May 121.00	121.00	121.00	121.00	121.00
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Dec 121.00	121.00	121.00	121.00	121.00
May 121.00	121.00	121.00	121.00	121.00
Sep 121.00	121.00	121.00	121.00	121.00
Dec 121.00	121.00	121.00	121.00	121.00

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Rate trends change the picture

CHANGES IN interest rates put a different complexion on the currency market yesterday. The main factor was Thursday's increase in the Bundesbank's Lombard rate. This has resulted in downward pressure on some currencies or has forced central banks to move rates higher.

Sterling finished the week on a depressed note. The recession indicated by the recent survey from the Confederation of British Industry points to lower rates, but the UK political situation has been thrown into confusion by the resignation of Sir Geoffrey Howe. This increased downward pressure on the pound yesterday and has clouded the interest rate picture since sterling's position in the European Monetary System does not appear to justify further rate cuts.

The pound was the weakest member of the EMS exchange rate mechanism for the second day running. It also finished in

London 2 pfennigs below its central rate against the D-Mark. Sterling declined to DM2.9300 from DM2.9425; to FF9.8375 from FF9.8600; to SF2.4775 from SF2.4875; and to Y251.00 from Y254.50. In terms of the dollar the pound eased to \$1.9510 from \$1.9515. Its index fell 0.3 to 94.2.

The Spanish peseta remained at the top of the ERM by a large margin, but currencies supported by interest rate increases this week - the D-Mark, Dutch guilder and the Belgian franc - were all firm, while the French franc and Italian lira lost ground.

The Belgian National Bank followed Thursday's rate increases by the Bundesbank and Dutch Central Bank by raising its discount rate to 10.50 from 10.25 per cent. Rates for advances to Belgian commercial banks rose by 0.25 per cent to 11 per cent. The Belgian authorities took a decision earlier this year to peg the

franc closely to the D-Mark.

A cut in the Bank of France's money market intervention rate, announced on Wednesday, led to a weakening of the French franc. The D-Mark rose to its highest level against the franc since late August. The lira intervened, prompting intervention by the Bank of Italy at the Milan fixing. The central bank sold \$240m, 20m Ecus and DM46m as the D-Mark was fixed at a record high of L751.25 in Milan.

The dollar was weaker overall. Its index fell to 80.5 from 80.8. A fall of 68,000 in US non-farm employment was noted as expected, but dealers noted that it was the second consecutive monthly decline. At the London close the dollar had fallen to DM1.5020 from DM1.5075; to Y128.60 from Y130.40; to SF1.2705 from SF1.2725; and to FF5.0425 from FF5.0525.

FINANCIAL FUTURES AND OPTIONS

LIVE LONG-TERM FUTURES OPTIONS

Estimated volume: Cals 572 Puts 3779
Previous day's open int. Cals 10796 Puts 27400

LIVE SHORT-TERM FUTURES OPTIONS

Estimated volume: Cals 200 Puts 195
Previous day's open int. Cals 2554 Puts 10799

LIVE EURO-DOLLAR FUTURES

Estimated volume: Cals 712 Puts 2681
Previous day's open int. Cals 5554 Puts 10799

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WORLD STOCK MARKETS

US MARKETS (3pm)

November 2

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WORLD STOCK MARKETS

AMERICA

Dividend-related trade and banks lift Dow

Wall Street

SLIDING oil prices, heavy dividend-related trading and a resurgence in bank issues led equities broadly higher yesterday morning, writes Karen Zagor in New York.

At 1:30 pm, the Dow Jones Industrial Average was up 30.45 to 2,485.40, on fairly heavy volume. Advancing issues led declines by a ratio of five to two. On Thursday, the Dow added 12.62 to 2,472.78.

The stock market received some support from falling oil prices. At mid-session, the December crude oil contract was down 77 cents at \$34.40.

Dividend-related trading also

helped the morning rally. Texaco gained 3/4 to \$80. The company pays an 80 cent dividend to holders of record on November 9. The stock will trade ex dividend on Monday.

American Electric Power, which will also pay a dividend to holders of record on November 9 and will trade ex dividend on Monday, rose 3/4 to \$29.

Wisconsin Energy, which will pay a 44 cent quarterly dividend on November 7, gained 3/4 to \$30.

Arco Chemical slipped 3/4 to \$30. The company paid a 62.5 cent quarterly dividend yesterday.

Bank and financial service

issues posted gains yesterday morning as news of weak

employment figures encouraged hopes that the Federal Reserve would cut interest rates again. JP Morgan added 1/4 to \$39. Citicorp rose 3/4 to \$124 and Bankers Trust New York improved 3/4 to \$34.

On Monday, the Fed's perceived targets for Fed Funds, the rate at which banks lend to each other, was reduced to 7% per cent from 8%.

In the regional bank sector, Banc One climbed 1/4 to \$22 1/2, and First Wachovia improved 1/4 to \$36 1/2.

Fleet-Norstar Financial, one of the better-positioned New England banking companies, rose 1/4 to \$10 1/4.

In the secondary market, the

NASDAQ composite added 3.57

to 324.47 at mid-session, with

the gains led by technology issues. Microsoft added 1 1/2 to \$84 1/2, Apple Computer was up 1 1/2 to \$51 1/2 and Intel gained 3/4 to \$34 1/2.

Seagate Technology, which makes disc drives, firmed 3/4 to \$60 on reports that the company will introduce smaller disc drive products on Monday.

Vicor Restaurants recouped some of Thursday's losses, jumping 3/4 to \$8 1/2 after plunging 5/8 a day earlier when the company reported that internal irregularities would reduce its earnings for 1990, and that it would have to restate some of its previously reported results.

On the American Stock Exchange, Continental Airlines Holding slid 3/4 to \$2 1/2 on

reports that General Motors Electronic Data Systems unit had cancelled talks on a proposed \$400 million agreement with the parent of Continental Air.

Canada

WEAKNESS in gold and oil shares kept Toronto stocks from tagging on to the rally in New York. The composite index lost 4.7 to 3,080.3 on volume of 10.86m shares. Declines led advances by 175 to 168.

Molson class A shares fell 3/4 to \$31. The company's quarterly earnings fell to \$1.08 a share from \$1.22.

Alcan was flat at \$22 in spite of a drop in aluminium prices to a three-month low.

Wellington sticks at six-year low

By Dai Hayward

THE NEW Zealand stock market dropped to its third successive six-year low yesterday, with the Hang Seng index falling 16.73 to 1,309.12.

It was the most extended stock market slump since the 1984. The loss on the week was 7.7 per cent.

Offshore selling and growing nervousness about corporate prospects pulled most leading stocks lower in a market that has been weak for several months.

Brierley Investments dropped 5 cents to NZ\$1.19, after falling 5 cents on Thursday, on worries about its ability to meet the debt requirement for its takeover of Mount

Charlton, the UK hotel group. It was the most extended stock market slump since the 1984. The loss on the week was 7.7 per cent.

The defeat of the Labour Government last Saturday and the swearing in of the new National Government yesterday have made little impact.

SOUTH AFRICA

JOHANNESBURG drifted aimlessly in the absence of any fresh factors. The JSE all-share index closed 10 lower at 1,386 while the Industrial index was virtually unchanged at 2,694 versus 2,695. The all-share index slipped 6 to 2,685.

Investors looking to benefit

Rising crude prices put spotlight on oil stocks

Deborah Hargreaves on prospects for the sector after its outperformance in the last three months

WITH THE defensive stance adopted by investors amid the current uncertainty on the world's stock markets, shares in oil companies are increasing in popularity. Most investment analysts are recommending that investors adopt a slightly overweight position in the oil sector to gain exposure to rising oil prices.

While the oil price remains extremely volatile, dropping back since it soared to more than \$40 a barrel in the immediate aftermath of Iraq's invasion of Kuwait at the start of August, most observers do not expect it to drop below \$30 a barrel before April. If the tension in the Gulf results in a war, oil prices could go much higher.

For this reason, most oil companies have seen their share prices outperform the stock markets in the last three months, although they have slipped back in the past few weeks as the initial feverish buying has calmed down.

Mr Eugene Nowak, director of the energy group at Dean Witter Reynolds in New York, believes that US oil stocks represent excellent value, now that the premium they offered to the market has been eroded and investors have a chance to pick up high-yielding stocks at attractive prices.

"We continue to be cautious and selective," Mr Nowak explains but, although Dean Witter has just recommended that its institutional clients cut the equity weighting of a balanced portfolio from 60 to 50 per cent, it has also added Exxon to its list of recommended stocks.

With a current price of just under \$50 a share, Exxon has outperformed the Dow Jones Industrial Average by 10.5 per cent in the past three months and by 19.3 per cent over the last year. The company has managed to put the financial cost of the Exxon Valdez disaster mostly behind it and is gradually recovering from the public relations damage. The company offers a yield of 5.5 per cent and has just raised its dividend.

Investors looking to benefit

from a rising oil price should consider either fully integrated oil producers or those with a direct exposure to oil production. Refiners are currently operating on narrow margins, and most companies with interests in the chemical industry are suffering from a cyclical downturn in revenues.

In Europe, Norway's Norsk Hydro probably offers the most highly geared play on the oil price, says Ms Carol Bell, oil analyst at Credit Suisse First

has dropped back to Nkr210 (350) after soaring to a high of Nkr255 immediately after the Iraqi invasion of Kuwait. It began the year at Nkr155. While the share price is likely to remain volatile, it has not yet matured, and analysts believe its underlying trend will continue to be upwards.

Elf Aquitaine of France is another European company that stands to gain from higher oil prices. While oil accounts for 55 to 60 per cent of Elf's earnings, its production profile is heavier than its involvement in refining. Each extra dollar added to the oil price is estimated to add 5 per cent to Elf's revenues. Its share price has outperformed the Paris market by 55 per cent this year.

The downside on Elf, however, is its exposure to the chemicals industry, which is performing poorly.

Even if the Gulf crisis is resolved peacefully and oil prices drift down towards \$20 per barrel, oil companies could still offer good investment prospects over the long term.

Mr Nowak is forecasting growth of 8-10 per cent a year in US oil companies' earnings per share. Many US integrated producers have completed restructuring programmes and have strong balance sheets and good cash flow. Significantly, most are looking at increasing their dividend payments.

Mr Nowak tips Texaco as a strong performer, now that it has left Chapter 11 and its current management is forging an aggressive path ahead. The company has reduced its debt to equity ratio to 40 per cent, has just raised the dividend, and is proving more responsive to shareholders. In addition, it has good exploratory prospects. Texaco has outperformed the Wall Street market by 36 per cent this year.

From a portfolio manager's point of view, Mr Nowak suggests that US oil stocks over the short term will not be the best bet, as managers may want to free up cash to take advantage of a possible upturn in other sectors of the economy. But over the long term, a portfolio could do well to be overweight in oil, he believes.

Norsk's current stock price

is 10 per cent of Norway's oil reserves and has a massive untapped exploratory area. The company is set to double its oil output of 95,000 barrels a day this year, and its production is not expected to reach a plateau until 1994-1995. This compares with growth of 4 per cent a year in Royal Dutch/Shell's production and a flat outlook for BP.

Ms Bell estimates that for every dollar that is added to the price of oil, Norsk Hydro sees an 8 per cent increase in its earnings. In addition, the company has diversified into aluminium, petrochemicals and fertiliser production, which add to the stability of its revenues. It also has significant reserves of natural gas, which could serve it well as Europe moves to cleaner fuel.

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Ms Bell estimates that for every dollar that is added to the price of oil, Norsk Hydro sees an 8 per cent increase in its earnings. In addition, the company has diversified into aluminium, petrochemicals and fertiliser production, which add to the stability of its revenues. It also has significant reserves of natural gas, which could serve it well as Europe moves to cleaner fuel.

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ASIA PACIFIC

Late buying helps cut Nikkei's loss

Tokyo

ALTHOUGH equities continued their downward trend yesterday, with the Nikkei average finishing lower for the fourth consecutive day, late buying helped cut the Nikkei's loss.

Atsugi Nylon Industrial, Japan's leading lights maker, was the most actively traded stock for the second day in a row. It declined 720 to ¥1,260 on volume of 5.5m shares.

Interest has focused on the share because the company announced a one-for-five scrip issue on Wednesday. Other clothing shares, such as Renown and Onward Kashi, have also been popular in anticipation of continued strong consumer spending.

Steels were hit in early trading, along with other large-cap issues, but rebounded in the afternoon. Kobe Steel was up 75 to ¥232 and Nippon Steel Y44 higher at ¥450. Pharmaceuticals also regained the previous day's losses. Yamanouchi Pharmaceutical was up ¥40 to ¥2,840.

Automobiles ended easier in afternoon trading because of the decision to raise car sales, with Toyota down ¥40 to ¥1,800, Honda off ¥30 to ¥1,350 and Nissan falling ¥4 to ¥772.

Real estate and housing issues were lower on small-lot selling, on news of Finance Minister Ryutaro Hashimoto's threat to tighten loan regulations to real estate businesses.

County Natwest said: "People are trading on technical factors due to the lack of changes in fundamentals. However, the rebound at 23,600 [on the Nikkei] shows that there is psychological support at that level."

Mitsui Real Estate fell ¥40 to ¥1,250 and Mitsubishi Estate was down ¥40 to ¥1,200.

In Osaka, share prices also fell on small-lot selling. The OSE index fell 35.69 to ¥2,829.87 on volume of 28.2m shares against Thursday's 32.5m.

being offered for sale by tender, rose 15 cents to \$35.55. National Australia Bank, one of Adelaide's major lenders, dropped 16 cents to \$35.55.

HONG KONG rose on bargain-hunting, with the Hang Seng index gaining 10.18 to 3,978.52, although it declined 2.4 per cent on the week. Turnover shrank to HK\$670m from the previous day's HK\$717m.

The market ended off its highs as Hongkong and Shanghai Banking fell another 10 cents before recovering to close unchanged at HK\$470 in the day's most active trading.

SEATTLE failed to hang on to Thursday's gains. The composite index fell 7.51 to 709.95, down 3.4 per cent on the week, on volume of 10,351,40n.

Prices opened higher, led by financials, but fell back later in the day on economic and political concerns.

TAIWAN finished lower on fears of war in the Gulf. The weighted index dropped 37.02 to 3,102.88, down 0.2 per cent on the week. Volume rose to T\$26.2bn from T\$25.2bn.

MANILA, which was closed on Thursday, eased in thin trading, following an 8.73 per cent drop of the peso against the dollar. The composite index fell 10.11 to 589.74, a loss of 2.7 per cent on the week.

SINGAPORE ended mixed in tight trading, with the Straits Times Industrial index down 2.88 to 1,311.10, a fall over the week of 3.7 per cent.

Roundup

DEBT-LADEN companies continued to depress the Australian market yesterday. Other markets were lower, with the exception of Hong Kong, which attracted bargain-hunters.

AUSTRALIA was dragged to another year's low as Adelaide plunged another 46 cents, or 43 per cent, to 60 cents in active trading, on persistent fears about the trading and investment group's high level of debt. The All Ordinaries index fell below the 1,300 mark to 1,291.2, down 1.13 on the day and 4.7 per cent on the week.

News of a lower, but still larger-than-expected, current account deficit in September added to the nervousness. Turnover rose to \$181m from Thursday's \$175m.

AMSTERDAM was mixed, with the AEX index ending at 1,312.5, down 0.4 per cent on the week. The AEX index ended at 1,312.5, down 0.4 per cent on the week.

PARIS was mixed, with the CAC 40 index ending at 1,312.5, down 0.4 per cent on the week. The CAC 40 index ended at 1,312.5, down 0.4 per cent on the week.

FRANKFURT closed lower in very light trading as many large fund managers based in southern Germany, such as Siemens, Allianz and Mercedes, took a long weekend after Thursday's holiday. Volume rose from the previous day's meagre DM2.2m to a modest DM2.5m.

The DAX index fell 2.94 to 1,414.23, a loss of 2.3 per cent on the week while the FAZ index edged 1.15 to 615.9, down 2.6 per cent on the week.

Shares were marked down in

the pre-bourse following the Bundesbank's decision on Thursday to raise the Lombard rate. But some dealers said the move underlined the central bank's commitment to keeping inflation under control in the face of rising crude oil prices.

In the banking sector, Deutsche lost DM5 to DM587 and Dresdner fell DM1 to DM575.

AMSTERDAM was pulled off the day's low by position-squaring before the weekend and selective institutional investment. Disappointing corporate reports, higher interest rates and concerns about war in the Gulf had earlier depressed prices. The CDS Tenancy index fell to 94.5 before closing unchanged at 94.7, down 2.3 per cent on the week.

ALSO, trading ex a dividend of F11.20, closed F11.20 lower at F11.20, less than half the level of F11.20, while the F11.20 in January, while DSM, which closed at F18.80, down 60 cents, is a third down on its year's high.

MILAN eased in light trading as many players were absent after Thursday's holiday. The Comit index fell 5.45 to 555.00, down 2.6 per cent on the week.

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BANKS, HP & LEASING

1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	9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FINANCIAL TIMES

Weekend November 3/November 4 1990

Royal Brindley
THE FINEST ENGLISH FULL LEAD CRYSTAL

Rights issue assures Eurotunnel funds

By Andrew Hill and Andrew Taylor

EUROTUNNEL's 15-month struggle to raise £2.5bn of additional finance for the Channel tunnel project came to an end yesterday with the launch of a £532m rights issue.

At bullish press conferences held simultaneously in London and Paris, the group announced it was offering existing shareholders three new Eurotunnel units for every five units already held, at 28p each - a 39 per cent discount to yesterday's opening price of 47p. The units closed at 43p.

The issue was launched three days after the French and British tunnels met under the Channel seabed. Mr

Alastair Morton, the group's chief executive, said yesterday that more than 70 per cent of the tunnelling was complete.

The cost of the project has soared since 1987, from £4.8bn to £7.6bn, forcing Eurotunnel to raise more money from its shareholders and bankers.

The rights issue, which is fully underwritten, and the bank financing, which was completed last week, mean the group has £2.7bn of committed cash resources. This includes more than £1bn to cover any further unforeseen increases in costs.

Eurotunnel is encouraging investors

to subscribe by attaching six tiers of half-price travel incentives to the new units. They differ from the free-travel perks in the original 1987 share offer in that non-shareholders can be nominated to enjoy the privileges.

An investment of just over £128 (45 units) qualifies for the minimum perk of one half-price trip on the cross-Channel shuttle; investors buying 1,500 new units will benefit from an unlimited number of half-price journeys.

The group said cross-Channel traffic had increased more quickly than independent consultants had predicted in the 1987 prospectus. The consultants'

original forecast of the 1993 cross-Channel passenger market was almost achieved last year and the freight market grew by 10 per cent a year between 1985 and 1988, compared with the 1987 forecast of 4.9 per cent annual growth.

Eurotunnel hopes shareholders who cannot or do not want to invest further will sell their right to subscribe. The group has set up a telephone service which will charge a fixed commission of £10 per transaction to new or existing investors who want to subscribe for new units.

Background and analysis, Page 12

Economic reports heighten fear of recession in US

By Anthony Harris in Washington

FEARS OF a recession in the US intensified yesterday amid a wave of negative reports and warnings about the economy.

Paradoxically, Wall Street stocks and bonds rallied, on hopes that the signs of economic weakness would lead to a further cut in interest rates.

Payroll employment fell by 68,000 last month, the biggest drop for eight years, prompting a gloomy assessment from Dr Janet Norwood, the Commissioner for Labour Statistics.

Dr Norwood told Congress that the employment figures for October provided "further evidence of deterioration in the labour market", and pointed out that payroll job movements had weakened each month since June. "Even the usually robust service sector has lost much of its vitality during this period," she said.

Among other economic news yesterday was:

- A drop in weekly earnings, and a warning from General Motors and Ford that a further 51,700 workers would be laid off for a period during the current quarter.
- A 0.5 point drop in the official index of leading indicators.
- A report warning that the record burden of consumer debt would lead to abnormally sharp cuts in spending as the economy weakened.

The employment report, which was weaker than expected, showed a fall of 143,000 in goods-producing payroll jobs, partly offset by a rise in service employment, mainly in health care and education.

The less precise household survey, which also covers small enterprises, part-time workers and the self-employed, showed a bigger drop of 187,000 in civilian employment. How-

ever, the labour force also declined sharply, due partly to early retirements, and unemployment was unchanged.

Dr Norwood said 589,000 jobs, or 3 per cent of the manufacturing workforce, had been lost since January. The unemployment rate for construction workers is now 13.2 per cent. That figure seems to be rising sharply, with 80,000 construction jobs lost in October.

She also warned Congress that, based on past experience, consumer price inflation would rise sharply in coming weeks.

Wall Street analysts took the unemployment figures as evidence that the economy was already in recession, and emphasised that the average working week had dropped significantly for the first time, and that average weekly earnings were down by just over 3p.

"It's premature to say that the economy is headed for a full-blown recession, but the odds are high that that's where it's going," Mr Stephen Roach of Morgan Stanley said.

The 0.5 point fall in the leading indicators was exactly in line with expectations, but may have been overtaken by events. The latest figures for consumer confidence and for employment are weaker than those reflected in the index.

Meanwhile, anxiety is growing about consumer debt. A report yesterday pointed out that the debt burden was a threat to the economy.

"If we do experience a recession, its impact will be much more severe than if consumer debt were at a lower level," said Professor Robert Pollin of the University of California-Riverside, author of the report to the trade union-sponsored Economic Policy Institute in Washington.



School children greeted President Bush when he arrived at Hanscom Air Force Base in Bedford, Massachusetts, to campaign in the state on behalf of republican candidates

Bush leads counter-attack in attempt to stem poll losses

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush is leading a last-minute Republican counter-attack to stem expected losses to the Democrats in next Tuesday's midterm US elections.

All 435 members of the House of Representatives are up for re-election, as is a third of the 100-strong Senate and the governorships of almost all the large states and thousands of local offices.

The latest signs are that the Republicans have halted, and partially reversed, the sharp drop in their support which occurred during most of last month as Mr Bush came under sharp criticism for his handling of the budget crisis.

Most candidates of both parties engaged in close races have distanced themselves from the tax raising budget.

With Congress at last adjourned, Mr Bush has this week sought to divert attention to the seriousness of the Gulf crisis which may rally votes support.

Follies and campaign specialists for both parties are predicting that the Democrats will pick up between 10 and 15 seats in the House, where they have a 269 to 176 majority, while there may be a shift of one or two seats either way in the current Democratic 55 to 45 majority in the Senate.

The Republicans hope to retain at least three out of four

big state governorships they are currently defending - California, Texas, Florida and Illinois.

However, several senate and governorship races, originally seen as Republican victories, have become too close to predict.

While the vast majority of House members should be re-elected, there will be close interest to see whether an alleged wave of anti-incumbent protests, triggered by disgust

domestic and economic policy.

So far Congress has failed 15 times, sometimes narrowly, to muster the two-thirds majorities in both houses to override his veto, though this could change if the Republicans lose badly on Tuesday.

At a state level, the control of the governorships and state houses will have a big impact in determining the pattern of changes in congressional boundaries due after this year's census following shifts in population.

Several subunit states are due to gain House seats, notably California whose representation is expected to rise from 46 to 52.

The Republicans want to have a big say in this highly political process if they are to have a change to narrow the Democratic majority in the House during the 1990s.

In spite of complaints about the negative tone of the 1988 presidential election, this year's campaigns have been marked by sharp personal attacks on rival candidates' financial, sexual and family histories in short television shots.

Race has also surfaced, notably in North Carolina where conservative Republican incumbent Jesse Helms is being challenged by Democrat Harvey Gantt, who is seeking to become the first black elected senator from the south.

Cabinet reshuffle

Continued from Page 1

coinage and notes preserved the Queen's head and the pound sterling denomination.

"I am not interested in illusions of sovereignty," he said.

However, when party organisers were asked whether this represented a major shift towards accepting the concept of a single European currency, there followed frantic efforts to insist that all Labour's conditions and reservation remained the same.

The controversy was just one interlude in a day crowded with rumours and speculation. Senior ministers were frustrated however in their efforts to stamp out talk of a possible bid for the leadership. While Mr Douglas Hurd, the foreign secretary, dismissed the talk as "frivolous", other senior party figures such as Mr Edward

Heath openly encouraged a contest. Strong denials from Geoffrey Howe, who was considering a bid for the premiership were brushed aside by the former prime minister who argued: "Geoffrey would not be a stalking horse. He would be a real contender."

Mr Michael Heseltine, the former defence secretary, was widely tipped as a likely replacement for Mrs Thatcher, refused to comment, however.

If a challenge is to be mounted, it must come soon after the Queen's Speech which opens a new session of Parliament on Wednesday. Under Tory party rules, MPs will then have 28 days to table nominations.

Last year, Mrs Thatcher faced the first assault on her leadership when Sir Anthony

Meyer, a hitherto obscure backbencher, stood as a "stalking horse" candidate.

Henry Tory MPs believe that with tension mounting in the Gulf and an election at best 18 months away, a ballot would be catastrophic. Others such as Mr Michael Latham, the MP for Rutland and Melton, said that Sir Geoffrey's resignation demanded a test of Mrs Thatcher's support within the party.

The disarray within the Tory ranks has heightened attention on the Bradford North by-election where Labour is defending a majority of under 1,700. Some believe that if the poll, scheduled for Thursday next week, shows a crash in Tory support, it will encourage the party's dissidents to mount a challenge.

BSB and Sky merger

Continued from Page 1

via cable and communal systems.

The main BSB shareholders - Granada, Pearson, Reed International and Chargeurs - have had to raise £1.3bn for the venture.

The combined company could become profitable much more quickly than the competing rivals and five powerful channels created to offer real competition to conventional broadcasters such as the BBC and ITV.

Competition between the two satellite stations has created crippling auctions for everything from film rights to

access to world heavyweight boxing matches.

BSB in particular spent hundreds of millions of dollars in buying film rights. To get access to all the best films viewers until now have had to subscribe to both the BSB and Sky film channels because the two companies have divided the main Hollywood studios between them.

In addition to a combined film channel there will be sports, entertainment and music channels. The fifth is likely to be what is now Sky News.

Although the market is

being given the chance to decide whether it is the BSB or Sky technology that ultimately prevails, all the indications are that the Astra satellite system, with the capacity to offer 48 channels to a single dish within three years, will be the winner.

The decision will have serious consequences for the manufacturers of BSB equipment, particularly Philips, which has put a lot of weight behind the high-technology MAC system used by BSB as a step towards better quality high definition pictures.

THE LEX COLUMN

A dull exit for Sir Geoffrey

There was something nicely appropriate about the London market's stolid response to Sir Geoffrey Howe's resignation. Equities were only going to take fright if the foreign exchange market did, and sterling opened in London yesterday a touch higher than before Sir Geoffrey went.

There is an instructive parallel with the reaction to Mr Lawson's resignation a year ago. Then the FT-SE had fallen 340 points in the preceding six weeks. It turned on a sixpence on the announcement, rising to an all-time high 10 weeks later. That is scarcely likely to happen this time, if only because other world markets were then rising sharply as well. But in both cases, tensions in the government over European policy were obvious well before the event. That is how the market works: sell on the rumour, buy on the news.

That apart, there is a sense that the institutions are ready to hold the market above the 2,000 level. There are no obvious macroeconomic risks on the near horizon: no nasty statistics or CBI surveys, though there remains the obvious proviso about the Gulf. The risk is more at the level of individual stocks; analysts are in some cases still catching up with the implications of recession for company earnings in 1990, let alone 1991. Meanwhile, it is implicit in the market's behaviour that the immediate political risks have died down. But leaving aside the whole question of the Tories and Europe, next Thursday's Bradford by-election is potentially awkward. The 2,000 mark is being defended; it may not be secure.

Electricity

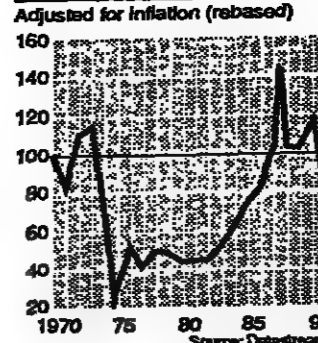
Yesterday's pathfinder prospectus for the 13 regional electricity companies was not a mere distraction from the unprecedented generosity of the incentives that investors are being offered for subscribing. In between deciding which bribe they fancy best, they must consider some of the frankly stated risks.

For example, all the company forecasts are qualified by sensible warnings. The profit estimates are based on assumptions about cold winters, fuel oil prices, strikes and wars. Their performance will obviously be tied to their regional economies. There is also the uncertainty of the future of independent generators and the grid company. Mainly, however, there is the admission that the companies' earnings will be very volatile.

FT-SE Index: 2,630.7 (+2.7)

FT-A All-Share Index

Adjusted for Inflation (rebased)



Source: DataStream

Investors will be unusually reliant on the dividend policy of the individual management; and here prospective yields give vital clues.

This has clearly given the government's advisers a headache. Hence the heavy hints being dropped about juicy prospective yields and dividend growth above the rate of inflation. Enter the Thames factor. With shares in leading water companies yielding around 8 per cent, or up to 15 per cent on a partly paid basis, and with British Gas yielding around 7 1/2 per cent prospectively, it would be an almighty insult to try to float the riskier RECs at anything equal or less. It looks therefore as if the RECs will be priced to yield around 20 per cent on a partly paid basis.

Could it fail? The obvious dangers are a war in the Gulf or a stock market crash. But institutions that have been saving up their cash will probably still want utility stocks, if only as a bear market play.

Eurotunnel

One hardly knows who deserves the more admiration: Eurotunnel's construction workers or its financial engineers above ground. The £532m deep-discounted rights issue has been pitched in such a way that small shareholders may believe they are getting something for nothing, when in fact they are being asked to increase their investment in the project by roughly 60 per cent and accept a lower overall return. The perks confuse attempts at sensible valuation and anyway look expensive, given that an investor seeking unlimited half-price travel could earn £400 a year just by putting the same sum in a building society.

To be fair, the risks have been substantially reduced. The tunnel is going to open on time and the only real worry now is the much more manageable commercial risk. Will Eurotunnel's revenues match expectations? The cross-channel market is growing faster than expected, but because Eurotunnel has reduced its inflation forecast, its revenue projections are less ambitious than three years ago. More worrying is the fact that projected operating costs as a percentage of revenues have increased from 19 per cent to 25 per cent, while an annual interest bill of over £500m a year is going to eat up profits for years to come.

The difference between the projected gross dividend yield of 17.7 per cent in 1987 and the current 15.6 per cent may not sound a lot. But then Eurotunnel was projecting that its shares would be worth £24 in 1985, and now the figure has fallen to £16 by 1988. In the six-year world of discounted cash flow any number sounds plausible. Much better to buy the shares if gut instinct tells you so.

Whether or not the institutions played a part with Cookson as with Baxi, the idea of new-found militancy should not be pressed too hard. The list of the worst-performing alpha stocks since the July 1987 market peak is instructive: Seatchi & Seatchi (down 86 per cent), Next, Ferranti, Brierley, Cookson, Burton, Buxton and Manpower. Each one has seen the boss step down with the exception of Burton, where Sir Ralph Halpern's position is subject to recurring rumour. It is also worth remarking that the changes have been wholly infelicitous in stopping the share price fall.

Cookson

First Buxton, now Cookson. The departure of the heads of two struggling ex-glamour companies in as many days is a vivid illustration of the perils of recession. Of the two, Cookson's case is perhaps the more curious; the chairman is to be temporarily replaced by his ex-boss, who surely deserves his share of the blame for the company's misfortune.

The obvious next question is which other company chairman might be in jeopardy. Let us continue the list: Amstrad, Coats Viyella, Besser, F&L, Standard Chartered, Dixons. As Amstrad's dominant shareholder, Mr Alan Sugar can doubtless sleep easy. Some of the others may be less lucky.

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FIMBRA
OF THE

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			Tokyo (Yen)		
Basf	730	+ 10	Chugai	770	+ 14
Porsche			Parier	1141	+ 48
Wolfs			Falco		
AEG	211.5	+ 4.5	Speda-Bertrand	945	- 33
Brown Boveri	726	- 44	Pollat	421.5	- 15.5
Deutsche Bank	276	- 11	Radiotech	327.1	- 10.7
Lahmeyer	587	- 15			
NEW YORK (\$)			Paris (FFr)		
Apple Comp.	31 1/4	+ 1 1/4	Aux d'Ent	930	+ 35
Banc One	22 1/2	+ 1 1/2			
Citicorp	12 1/4	+ 1/4			
Morgan (J.P.)	38	+ 1/2			
Seagate Tech	5	+ 1/2			
Tecate	50 1/2	+ 1/2			
LONDON (Pence)			New York prices as at 12.30pm.		
Barclays	231	+ 7			
Davis & Mat.	226	+ 1			
Hillsons & Co	121	+ 8			
Reuters	350	+ 15			
STC	525	+ 15			
Scottish	528	+ 16			
Thames TV	171	+ 10			
York City	142	+ 27			

WORLDWIDE WEATHER

City	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Amsterdam	10	10	10	Amsterdam	10	10	Amsterdam	10	10
Berlin	10	10	10	Berlin	10	10	Berlin	10	10
Bombay	10	10	10	Bombay	10	10	Bombay	10	10
Buenos Aires	10	10	10	Buenos Aires	10	10	Buenos Aires	10	10
Calcutta	10	10	10	Calcutta	10	10	Calcutta	10	10
Cairo	10	10	10	Cairo	10	10	Cairo	10	10
Cardiff	10	10	10	Cardiff	10	10	Cardiff	10	10
Chennai	10	10	10	Chennai	10	10	Chennai	10	10
Copenhagen	10	10	10	Copenhagen	10	10	Copenhagen	10	10
Dublin	10	10	10	Dublin	10	10	Dublin	10	10
Edinburgh	10	10	10	Edinburgh	10	10	Edinburgh	10	10
Geneva	10	10	10	Geneva	10	10	Geneva	10	10
Hamburg	10	10	10	Hamburg	10	10	Hamburg	10	10
Helsinki	10	10	10	Helsinki	10	10	Helsinki	10	10
London	10	10	10	London	10	10	London	10	10
Los Angeles	10	10	10	Los Angeles	10	10	Los Angeles	10	10
Madrid	10	10	10	Madrid	10	10	Madrid	10	10
Moscow	10	10	10	Moscow	10	10	Moscow	10	10
Mumbai	10	10	10	Mumbai	10	10	Mumbai	10	10
Nairobi	10	10	10	Nairobi	10	10	Nairobi	10	10
Paris	10	10	10	Paris	10	10	Paris	10	10
Rangoon	10	10	10	Rangoon	10	10	Rangoon	10	10
Reykjavik	10	10	10	Reykjavik	10	10	Reykjavik	10	10
Rome	10	10	10	Rome	10	10	Rome	10	10
Singapore	10	10	10	Singapore	10	10	Singapore	10	10
Stockholm	10	10	10	Stockholm	10	10	Stockholm	10	10
Taipei	10	10	10	Taipei	10	10	Taipei	10	10
Tokyo	10	10	10	Tokyo	10	10	Tokyo	10	10
Warsaw	10	10	10	Warsaw	10	10	Warsaw	10	10
Wellington	10	10	10	Wellington	10	10	Wellington	10	10
Yokohama	10	10	10	Yokohama	10	10	Yokohama	10	10

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MARKETS

LONDON

Taking it with resignation

IN A WEEK when the prospect of a three-hour train trip between London and Paris moved tangibly closer, Britain's ride towards European unity seemed to run into the buffers.

Margaret Thatcher, the prime minister, has never been keen on trains. Perhaps that is why she was not anxious to board the one Sir Geoffrey Howe, her deputy, spoke about at the Tory party conference last month. While he wanted to be in the driving cab, she was not going to join a train if she did not know the destination.

His resignation on Thursday evening leaves the train without a fireman and sterling not quite sure where it is going. In the event, on Friday the foreign exchange and stock markets did not see the turbulence that might have been expected. Sir Geoffrey's exit caused even less of a wobble than Nigel Lawson's similarly sudden resignation a year ago. After falling at the opening, Footsie managed to end the day up 27 points at 3030.7.

But there is concern in the

markets that Sir Geoffrey's sudden departure will have a longer term negative effect by adding to the problems of the Conservative Party which is already lagging far behind Labour in the polls with the General Election also getting closer by the day.

Man management does not seem to be Thatcher's strong point. The episode just goes to show that the most faithful of dogs - and there are few more doggedly loyal than Sir Geoffrey - will turn on a mistress who repeatedly kicks it.

Sir Geoffrey's bite back did draw attention away from some other dogs, though. President Bush did not quite cry "havoc" this week. But the dogs of war, if not quite straining at the leash, certainly kept their feet and pricked their ears when the head of the most powerful army in the world said he had "had it" with the way American hostages were being treated. This may turn out to have been the week when the mood over the Gulf crisis turned away from diplomacy and sanctions as means

of defeating President Saddam Hussein and looked to a military solution.

Certainly both Presidents have turned up the heat. Cynically, the market thinks that the period between the US mid-term elections next Tuesday and Christmas might be the most propitious moment for the US to start armed conflict. If so the outlook for the equity market is gloomy.

Oil prices have crept higher on the thought but that has, for once, failed to push the pound up this week. Instead sterling has fallen against the D-Mark and is now below the central DM 2.35 rate set when the pound joined the Exchange Rate Mechanism a month ago. Because of the way the ERM works the DM 2.35 central rate for sterling is not in fact the middle of its range at the moment, but nearer the floor.

While Thatcher's decision to join the ERM then allowed her to cut UK base rates just before the Conservative Party Conference, that may be the last time that a politically-motivated cut in rates can be engineered.

The Confederation of British Industry begged for a cut in rates this week, when its latest survey showed business confidence at a 10-year low. For 24 hours the stock, money and foreign exchange markets thought that one would follow. But the Treasury and the Bank of England checked that over-excitement by administering a sharp tug on the choke chain: the one by saying there would not be a cut in rates until it was safe to do so, the other by the more pragmatic method of jacking up overnight interest rates.

On Thursday the German central bank - the one Thatcher does not want running the British economy - said it would up its Lombard interest rate by half a percentage point to 8 1/2 per cent. Although this is a technical move, it underlined the feeling that an early cut in UK rates was unlikely.

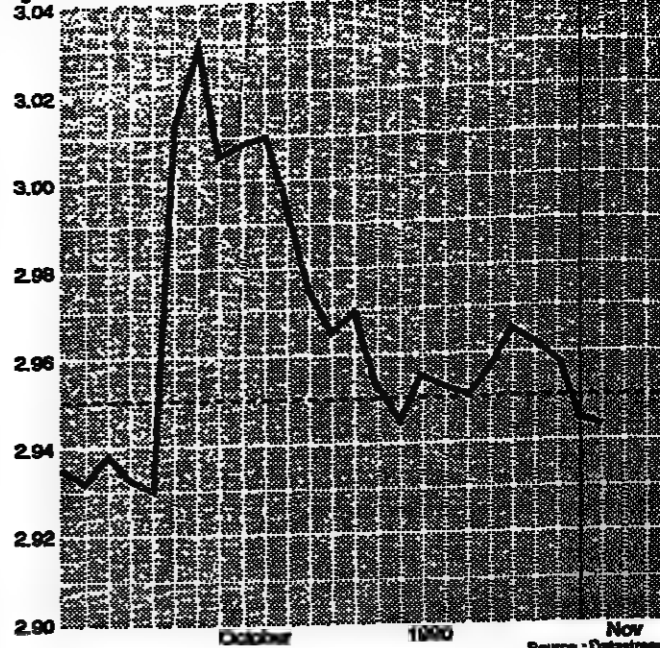
The equity market did not have any easy week, falling 32.4 points. But it ended at a higher level than might have been expected given the bad news it had to contend with. The CBI's gloom encouraged the process of downgrading forecasts for some time. Now those analysts are, it seems, cutting forecasts at such a rate that they will soon be in agreement with the economists on the 1990 figure.

The problem is that the strategists are now beginning to wonder about their numbers for 1991, and misuses are replacing pluses. That also brings concern about dividends, which will not be rising by much next year.

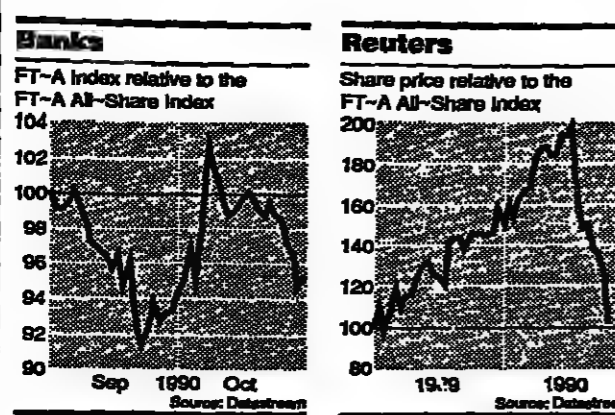
Even so, many market watchers regard the current level of Footsie as a buying opportunity, if only because the price of the market is low by historical standards and the

Sterling

against the D-Mark (DM per £)



FINANCE & THE FAMILY: THIS WEEK



Mixed times for banking sector

Scarcely a day goes by without another horror story coming out of the UK banking sector. The good borrowers are not borrowing, the bad ones cannot repay their loans, and there is increasing nervousness about whether Standard Chartered and Midland will cut their dividends in order to repair their capital ratios.

Despite this the FT-A100 Bank sector has modestly outperformed the market over the last year. Standard's shares may have halved over the last year, but the sector has been buoyed up by an average yield of 8.5 per cent and the strong price performance of two relative newcomers - Abbey National and the TSB. *DH Hall*

Reuters hit by delays

Shares in Reuters, the news agency and financial services multinational, fell quickly on news of another delay in the launch of its Dealing 2000-2 futures trading system. The product is important because it signals a change in the way in which the company earns revenue, away from subscriptions and towards charging per transaction. The system has been dogged by delays since the start of the year and the company will not give a new date for the launch except to say it has been postponed for six months or more. Analysts have pencilled in spring or summer of next year. *Daniel Green*

Investors turn their backs on unit trusts

The headlong rush out of unit trusts, led by the institutions, showed little sign of abating in September with a net outflow of £317m to follow the record £478m net disinvestment in August.

The worldwide bear markets are resulting in investors cutting back on buying units - only £511m were bought in September, the lowest monthly figure since December 1988, while redemptions remained high at £828m.

Admittedly, a significant amount of sales by the institutions are one-off switches, like the £250m switch by Fidelity. But with no sign of a stock market recovery in the near future, the unit trust industry could see the net investment of just £68m over the first nine months disappear completely by the end of the year and the value of funds under management drop below £40bn.

The only bright spots in an otherwise gloomy picture are the slow but steady success of unit trust PEPs and cash funds. Philip Warburton, the new director-general of the Unit Trusts Association, has a daunting task before him. *Eric Short*

Say hello to TERESA

Sun Life has launched TERESA, a scheme which it says competes with TESSA - the Tax Exempt Special Savings Accounts which will be launched on January 1. TERESA is a PEP based on a new unit trust, called Managed Extra Income, which will invest 65 per cent in high yielding UK equities and the balance in near cash assets such as floating rate bonds.

The PEP structure gives the investor income and capital gains tax exemption, a £3,000 annual investment limit (greater than a TESSA) and there are no tax penalties for early withdrawal.

The disadvantages compared with a TESSA, of course, is that the value of the equities and the bonds within the portfolio can fall. Sun Life is also launching a managed worldwide growth trust. *Philip Coggan*

Far East fund launched

Capital House is launching a new unit trust - called Oriental Opportunities - covering the non-Japanese Far Eastern markets. The initial charge will be 6 per cent, and the annual management charge 1.5 per cent, with one third of the latter available to independent financial advisers as renewal commission.

Meanwhile, Fund Research has produced its latest detailed report on the fund management industry, covering the South East Asia sector. The group charges an annual fee of \$7,500 for its research. *Philip Coggan*

Plug into a case of champagne

Readers can still win a case of champagne by entering our electricity competition. All you have to do is predict:

- At the end of the first day of dealings, which of the 12 electricity companies will be standing at the largest premium (or the smallest discount) to its offer price?
- How many investors will apply for shares in the electricity companies?

Please send your answers on a postcard to: Mrs P Pandya, Electricity Competition, The Financial Times, 1 Bedford Square, London WC1N 3AU. Entries must be received by the first post on November 21. Should the issue fail to go ahead, the competition will be null and void. No correspondence will be entered into and the Editor's decision will be final.

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1990 High	1990 Low	
FT-SE 100 Index	3030.7	-32.4	2463.7	1990.2	Bearish CBI survey
Avon Rubber	267	-27	530	267	Poor annual results expected
BICC	314	-47	488 1/2	302	Profit estimate downgrades
Christmas Ind	225	+12	413	200	ADT raises stake to 33 per cent
Cookson	81	+7	308	48	Recovery prospects
Diageo	435	-45	733	378	Lower than expected rights issue
Evode	97	-14	156	96	Analysts cut profits forecasts
Futura Holdings	57	-25	188	57	Poor interim profits
Harrisons & Crossfield	122	-18	179	108	Analysts cut profits forecasts
Island Frozen Foods	270	-24	324	248	Increased competition
Low (Wm)	822	-32	982	200	Unspecified rights issue
Price (Ben)	112	+25	125	95	Bid from International Marine
Reuters	990	-78	1318	967 1/2	Product launch delayed again
Scottish Maritime	9 1/2	-13 1/2	120	9 1/2	Annual loss forecast
Sinclair Goldsmith	32	-25	88	32	Half year loss expected

NASTY TRICKS have certainly outnumbered sugary treats on Wall Street in Halloween week as the spectre of recession has haunted the stock market with ever more frightening visitations.

The week began with a minor treat, when the Federal Reserve, responding to the deficit cutting budget agreement reached in Washington last weekend, signalled a quarter of a percentage point cut in the funds rate, the rate at which banks lend money to each other overnight.

But since the Fed had virtually promised a cut as long as the politicians reached a credible budget agreement, the markets were unimpressed. The drop, from 3 per cent to 2.75, had long been factored into dealers' calculations. The focus of attention now is how soon the Fed will cut again.

With signs of economic distress mounting, most analysts expect at least another quarter point of Fed funds well before the end of the year. That should trigger a cut in the prime lending rate, although the commercial banks, suffering falling profits and growing portfolios of bad loans, want to keep their rates as high as they can for as long as they can.

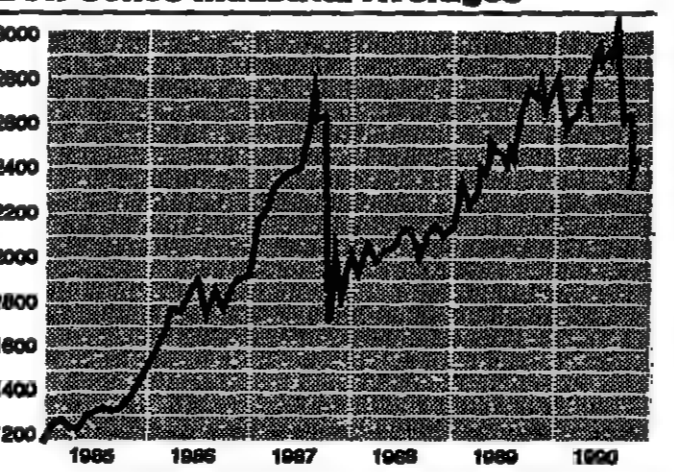
The week also brought one distinctly positive economic indicator, with US GNP figures showing growth at an annual rate of 1.8 per cent in the third quarter, compared with a mere 0.4 per cent in the second - in spite of the impact of higher oil prices from the Kuwait crisis. This was much faster than most people expected.

A few economists argue that this demonstrates an underlying resilience, and that fears of recession are greatly overdone. But the majority suggest either that the figures are statistically unreliable, or that the downturn will hit hard in

WALL STREET

Few treats in a scary week

Dow Jones Industrial Averages



the fourth quarter, or both.

Certainly as the week wore on there was plenty of evidence to support the latter view. Thursday brought a drop in the US purchasing managers' index, a key measure of manufacturing conditions, to an eight year low and a level indicating contraction in the economy as a whole.

Yesterday yielded October employment data showing a 68,000 fall in non-farm payrolls, after a revised 55,000 drop in September, with manufacturing hit hard.

The dangers of recession and high oil prices were highlighted this week when the big three Detroit motor manufacturers produced their third

quarter results. The most dramatic news came from General Motors, which announced a \$2.1bn special charge for plant closures, which changed a slim \$105m profit from operations into a \$8m net loss.

But the move was taken positively by Wall Street as signalling that GM's new chairman, Robert Stempel, is moving quickly to tackle the company's problems.

GM, battered by Japanese competition, has suffered from serious overcapacity for years but reached agreement last month with the United Auto Workers' union on a contract which makes it much easier, albeit costly, to shut factories.

This quarter's charge covers

SMALLER COMPANIES

Suitable cases for treatment

ALL THE attention being lavished on the United States Securities Market at the moment is pushing its orphan further into obscurity. While the second tier financial markets over its future there is an axe hovering over the Third Market.

At an IBC seminar on the market for smaller company shares last Monday, for example, and at a Price Waterhouse conference next Friday, the focus is the tenth anniversary of the USM and whether it can survive into the next decade. But what about the Third Market over the next few months?

At the end of the year, this most junior of markets will be phased out. No new entrants have been permitted since the beginning of 1990, and any company which has not "graduated" to the USM or the list by December will revert to off-market trading under rule 352.2 of the Stock Exchange.

Few commentators seem likely to mourn the demise of the Third Market. It is normally mentioned disparagingly as "the market that failed." With only modest entry requirements, it has often been perceived as an all-too-easy way for companies without a track record to obtain a quote.

However, the charge is not entirely correct. The Third Market will be sadly missed, says Andrew Priestley, a director of corporate services at Allied Provincial, the securities house based in Leeds. "An incubation area has now been closed down."

When the Third Market opened in 1987, he took advantage of the rules on start-up ventures to float ML Laboratories, which is developing medical applications for a glucose polymer.

The shares shot up from 70p to reach a peak of £38p a year ago, after an announcement by the company that it had developed the basis of a possible anti-viral drug, the applications of which could include the treatment of AIDS sufferers. The price has now settled at around 23p. Yet commercial production is probably still at least 18 months away.

Priestley was sufficiently impressed to begin backing a series of other ventures in the speculative medical and pharmaceutical businesses. Haemocell came first, joining the Third Market in December 1988. Biocure, Oxford Viology and Semperviva have followed.

Haemocell is the latest of these companies to be in the news. Next Thursday it launches a 4-for-1 rights issue to raise £2.8m. The enlarged group will then, subject to approval, join the USM via an introduction.

Andrew Freeman

At the core of Haemocell's work is "vortex mixing" technology, devised by Dr Brian Bellhouse, head of the Medical Engineering Unit at Oxford University. A special designed membrane creates vortices in any substance which is pumped past it. It forms the basis for a system of filtering blood to separate out the red cells.

"System 350" applies the principles to blood "autotransfusion." The market for using a patient's own ("autologous") blood during surgery is growing rapidly, especially in North America. It has the advantage of vastly reducing the risk of infection or rejection, while providing warm blood which is instantly recycled.

The filtration system is low cost, deals with the highly emotive issue of blood infection, consumes a large number of disposables (each operation requires a new filter) and should provide "very healthy margins."

The company is rather coy about revealing too many details, since it is currently negotiating a series of contracts overseas. There has been limited production since August, and the system could be widely available in two or three months, according to Richard Stesh, Haemocell's finance director.

Investment in the company would inevitably involve a high element of risk. In the last two years, it has made operating losses of £906,000 and £387,000 respectively.

Picking the successful companies in a competitive market such as medical research is very difficult. Allied Provincial has assembled a panel of expert academics to consult in confidence on any project. Ultimately "you can't evaluate them fully," says Andrew Priestley. "You have a gut feeling about something."

He adds that the firm takes its sponsoring role very seriously, finding finance directors and attending board meetings regularly.

"Nobody wants to get drawn into blue sky projects, or sucked into the R & D black hole," he says.

However, with the demise of the Third Market, the USM is not an option for many start-ups. Entry requirements demand the expectation of revenue within one year, while Priestley believes that these greenfield businesses often need three or even five years.

"The venture capitalists are too conservative," he says. "The only alternative after the end of the Third Market will be to find a trade partner. But I'm afraid some of these companies will go by the wayside for lack of funding."

Andrew Jack

Top marks awarded to a born-again survivor

MARKS and Spencer: everyone knows all about M&S. If there is one blue chip share with which anyone could be comfortable, then it must be M&S.

After all, its shops are in all the best towns - not just traditional high street locations, but Paris and Barcelona as well. Its food range borders on the luxurious. Everyone knows that its clothes make up in price and reliability what they may lack in chic, and regular M&S shoppers will tell you that the chain has done more than most to expunge the memory of dowdy 1970s designs. Besides, the company's growth record speaks for itself.

Despite this, long-term investors in M&S shares have been through some bad times. Until this year, the shares had doggedly underperformed the market. Since 1986, apparently unable to break through the perception of M&S as a solid, but unexciting company.

Recently, however, the turnaround has been dramatic, driven not by a change in the group's fortunes, but by the



Figures cover sales in UK, Europe and North America

has so far put £250m into information technology (IT) and electronic point of sale equipment.

From a base of 7m sq ft of floor space in 1985, M&S has re-modelled stores and expanded its selling capacity at the impressive rate of 6 per cent each year; but that forms only part of the story.

The IT drive has been the key to today's success, driving down operating and distribution costs, improving stocking times and reducing staff needs. The benefits of the investment programme are still feeding through, but it is evident that M&S has achieved a cashflow from its outlets which is second to none.

Within its stores, M&S has maintained strong profits momentum in its food department, where turnover nearly matches that of clothing. Despite tough competition this division has kept high margins and a high profile by driving up-market.

The group has also seen its investment in Europe start to pay off. Its continental shops

produced 40 per cent profits growth in the first half, and an ambitious store opening schedule should ensure that this division remains high-growth.

Also in 1985, M&S expanded into financial services, which now includes store cards, investments and personal loans. This business has excellent profits potential in the long term, although returns are relatively small at the moment.

There is one well-known problem area which blights the picture. Most analysts think that M&S would be better off if it had not bought Brooks Brothers, the troubled US quality clothing chain which makes much less money than M&S pays in interest to service its acquisition.

The collapse in consumer confidence in the US has hit Brooks Brothers' traditional tailoring market particularly hard and it looks as if it will be a further two years before M&S sees any return on its investment.

Andrew Freeman

market's new-found nervousness with those 1980s wonder stocks which had risen against a background of financial leverage and takeover mania.

This year has seen M&S shares rise by around 17 per cent, while the market as a whole has fallen by a similar amount.

Wednesday's impressive interim results, with pre-tax profits up by 10 per cent and an 8 per cent dividend increase, set the seal on a 40 per cent outperformance to date and laid the ground for a full-year result which could put some of its retailing rivals to shame.

What excited the analysts who specialise in the retail sector were signs that M&S now has a group of businesses which have such competitive advantages that the company is much more than a defensive play in times of recession.

"For several years, the group appears capable of reeling off earnings growth in the mid teens, which would be surprisingly rapid for an ostensibly mature group of this size," noted one broker. That does

not mean the shares will continue to perform with this year's power; but few investors will want to sell their holdings.

Think back a few years and the retailing revolution can be neatly encapsulated in a typical M&S store. Even five years ago, many observers thought that M&S was a mature business with little potential to achieve fast growth. That was before the management team under Lord Rayner, began an investment programme which

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FINANCE & THE FAMILY

David Thomas, Clare Pearson and Juliet Sychrava look at the positive – and negative – aspects of the electricity flotation

A hefty premium is on the cards

THE LARGE number of individuals showing an interest in electricity privatisation increases the chance of a hefty premium on shares in the 12 regional electricity companies when dealing starts on December 11.

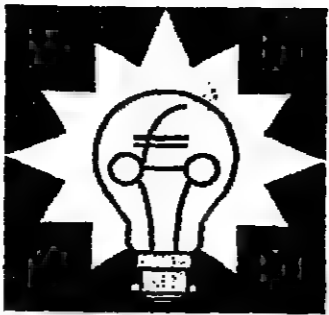
More than 6m people have now registered for electricity privatisation incentives, comfortably outpacing the numbers at the comparable stage of last year's water sale.

The all-time privatisation record stands at 7.5m registrations for British Gas which, government advisers hope, will be approached by November 14, the last day for registration for incentives.

Pricing of shares will not occur until November 21, but another mass of data on the companies was released yesterday on the publication of the pathfinder prospectus.

Taken together, the companies are forecasting "profits" or full year dividends of £236.5m for 1990-91 (see accompanying table). These dividend forecasts are based on the assumption that the companies had been operating for a full year in order to allow year-on-year comparisons.

Most observers think that the government secured a relatively good dividend deal by driving down the dividend cover, which is forecast to be 2 for all the companies taken together in 1990. However, the low cover this year is partly explained by the companies' ability to recover a large chunk of profits – totalling £221m – next year under the industry's price control rules (as explained in the adjacent



PRIVATISATION

article.) Institutional investors are likely to study the prospectus carefully for differences between the companies. Among the most important points are:

■ Dividends. There is good news on this with eight out of 12 companies forecasting that they will increase dividends "at least in line with inflation" or in "real" terms. Those using the term "real" are Eastern, Midlands, Norweb and Seaboard while Southern, for example, says its dividends should increase at least in line with inflation.

Yorkshire, Northern, South Wales and Manweb, the industrial companies, by contrast, confine themselves to saying they expect to pursue "progressive dividend policies."

However, analysts say it would be a mistake to read too much into the companies' statements. Although it is easy to imagine why the industrial companies have wanted to be more cautious, the precise form of words is likely to have reflected the personalities of the individual directors almost

as much as the regional economic outlook.

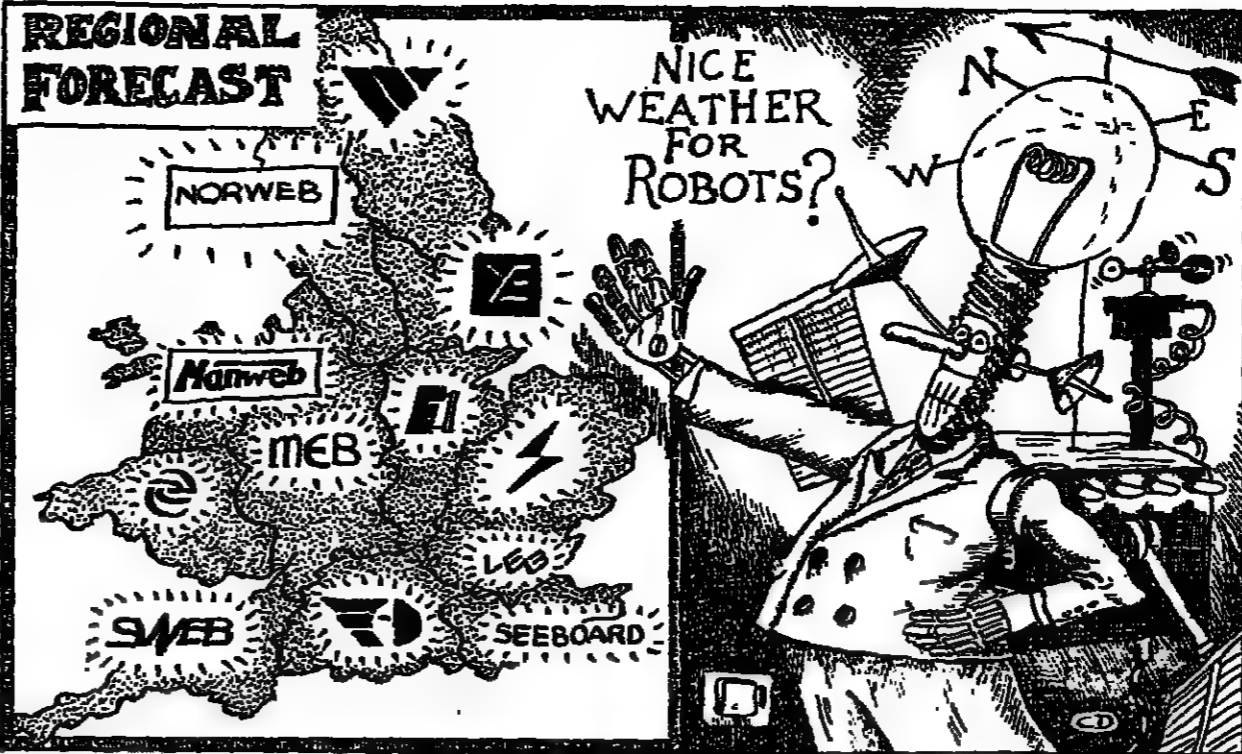
More important, it is widely believed that the structuring of the companies prior to flotation has been designed to ensure that all of them will be able to achieve real dividend payments growth.

Against the background of the water companies, the government could hardly have failed to do this. All 10 of those companies are expected by the City to produce dividend increases substantially in advance of inflation this year.

■ Prospects. On the allied question of prospects, the relevant sections focus on economic and demographic trends which are the main determinants of demand for electricity. Despite current uncertainties, many companies are predicting continued expansion in their local economies.

Companies such as Eastern and South Western, for example, say they expect their local economies to grow at a slower rate than in recent years. East Midlands says that although economic growth in its region has slowed down "it will continue to be above the national average." London and Southern predict a slower pace of sales growth.

Other companies, however, are vaguer. Manweb, for instance, confines itself to saying it looks forward to "further economic growth in the medium term." Midlands says that the change in the mix of industrial activity during the 1980s, with the reduction in reliance on heavy industry, "has improved the area's ability to withstand periods of decreased economic activity."



The clues to follow

FEW INVESTORS, whether individual or institutional, are going to plough through all 800 pages of the full prospectus for the 12 regional electricity companies. Yet the pathfinder prospectus, published yesterday, contains important clues as to what these companies will be, once they have passed into the private sector next month.

One figure which does not appear in the prospectus is the target for the companies' earnings increases which the Government has had in mind during its pre-privatisation negotiations. Each company has been given a financial structure which should allow it to increase its real earnings annually by about 4 per cent over the next few years, if everything goes according to plan – which, of course, it will not.

The regional companies' actual progress will depend on profit performance in their two main areas of business: the distribution of electricity over their local wires which remains a monopoly; and the final supply of electricity to customers. The pathfinder prospectus sheds light on the complex factors likely to affect both these areas.

■ Distribution contributes the bulk of each company's profits – typically around 90 per cent, according to most analysts. Distribution profits are also likely to be stable, the prospectus says, reflecting the predictability of distribution revenues taken with companies' known ability to raise prices under their price control formulas.

The number of units flowing over the wires is the most important determinant of distribution profits, which will

in turn depend largely on prospects for each company's local economy. "The total number of units distributed by all the regional companies taken together is expected to show a small increase over the medium term," the prospectus says.

However, it also warns of risks in the short term, since the economic slowdown will reduce the amount of electricity distributed, particularly to business customers. Unusually mild winter weather could also hit some regional companies, particularly those with a predominance of domestic customers.

Taking Seaboard as an example, it warns that "a significant shift in the weather from that allowed for could have a material impact on the operating profits of the distribution for the year." Nevertheless, the basic stability of

distribution profits allows the prospectus to say: "each regional company believes that, over the next five years, its distribution business should provide a sound basis for real earnings growth."

■ Supply, by contrast, is important for almost the opposite reasons to distribution: supply profits contribute a relatively small amount to the regional companies' total profits, but they are difficult to predict and volatile.

The unpredictability of the supply business stems from a number of factors, including the difficulties of forecasting the exact amount of final demand in each region, the lack of experience with the new market or pool which sets electricity prices, differences between companies in the extent to which they have hedged against the pool in their electricity purchase contracts and the need for companies to predict inflation in advance each year when setting prices.

Taking Seaboard again as an example, it warns that its supply profits are sensitive to the impact of weather on demand, unforeseen movements in pool prices and further sharp movements in oil prices. These uncertainties can feed through into great volatility in profits year-on-year because the supply business has very large costs and revenues, but small margins.

Seaboard, for example, is known to be forecasting substantial supply business losses this year. Its distribution business is predicted to contribute almost all operating profits this year.

However, a degree of protection is offered to investors by the regulatory regime that will govern the companies in the private sector. In particular, the regime allows companies to compensate for any under- (or over-) forecast of profits in distribution and supply in one year by adjusting its price increases in the following year.

Thus, Seaboard says that the price control regime should allow it to recover up to £25m in revenue this year (see accompanying table). Added to its forecast of pre-tax historic cost profit of £46.9m, this would give a maximum allowable profit for this year of about £72m, once the number of units it sells is taken into account.

All companies, except Northern, Norweb and Yorkshire, forecast relatively high profits recovery next year. But there may be difficulties in putting up the prices enough to match these.

ELECTRICITY COMPANY FORECAST 1990-91 Full Year			
£m	Dividends	Pre-tax profit	Possible profit recovery
Eastern	39.0	62.1	26
East Midlands	32.8	76.3	26
London	32.5	77.1	27
Manweb	19.0	48.0	18
Midlands	31.5	79.0	33
Northern	20.0	53.9	2
NORWEB	27.0	66.8	(4)
SEABOARD	18.8	46.9	26
Southern	39.0	85.5	26
South Wales	16.2	44.3	18
South Western	32.0	58.9	22
Yorkshire	32.5	71.3	24
	326.5	813.3	221

Profiles of the 12 companies

by Clare Pearson, Juliet Sychrava and David Thomas

■ Eastern expects to produce "dividend increases in real terms." While its East Anglian base is prosperous, the company says its local economy may grow at a slower rate than recently. It warns that its supply business profits are sensitive to unusual weather conditions, further large increases in oil prices and price rises in the new electricity market, known as the pool.

■ East Midlands expects to increase its dividends "at least in line with inflation." It believes that local economic growth, although less than in the recent past, will continue above the national average. The company is short of contracts to hedge it against price movements in the electricity pool. It therefore warns that its supply profits are sensitive to oil prices and prices in the pool.

■ London says it intends "to pursue a progressive dividend policy... at least in line with inflation." Its prospects will depend on the efficient management and development of its main businesses of distribution and supply "in the context of local factors such as high operating costs and skills shortages."

■ Manweb's statement that it will pursue a progressive dividend policy is the briefest of the 12, and makes no comment on the relationship between future profits and dividends. The company, which is proud of its refusal to compromise this position during negotiations, is cautious about diversification, and notes that it has rejected all proposals to go into generation as uneconomic. Manweb is positive about its regional economy.

■ Midlands expects to be able to offer investors "dividend increases in real terms." Restructuring during the '80s means it is better able to withstand economic downturns. It warns that its pattern of electricity purchase contracts makes its supply profits vulnerable to sustained cold weather and to price rises in the electricity pool.

■ Northern cautiously states that it will pursue a progressive dividend policy broadly in line with its underlying financial performance. It expects to increase the distribution business through an emphasis on cost-cutting. Primarily industrial, the region will experience only modest growth. Northern believes its portfolio of supply contracts offers good protection from fluctuations in oil prices or a high pool price.

■ Norweb intends to increase the dividend in real terms. Unlike the other 11, its pro-forma

profit forecasts specify exceptional costs relating to its cable network, which result in a current cost post-tax loss of £10m. Because of its contract cover, Norweb is especially sensitive to falling pool prices. It expects its regional growth to be below average.

■ Seaboard expects to produce "dividend increases in real terms." It points out that its distribution business is particularly reliant on the domestic sector, making it sensitive to weather and economic conditions. The company expects local economic growth to continue, but at a lower rate. Volatile oil prices, exceptional weather changes and rises in the wholesale electricity price would significantly affect supply.

■ Southern, covering a region which has particularly robust economic growth prospects, intends dividends to increase "at least in line with inflation." It expects the services sector to continue as an important engine of sales growth. But there is little prospect of immediate growth in its domestic sales. The company warns supply is vulnerable to volatility in oil prices, rises in the wholesale price of electricity and unusual weather.

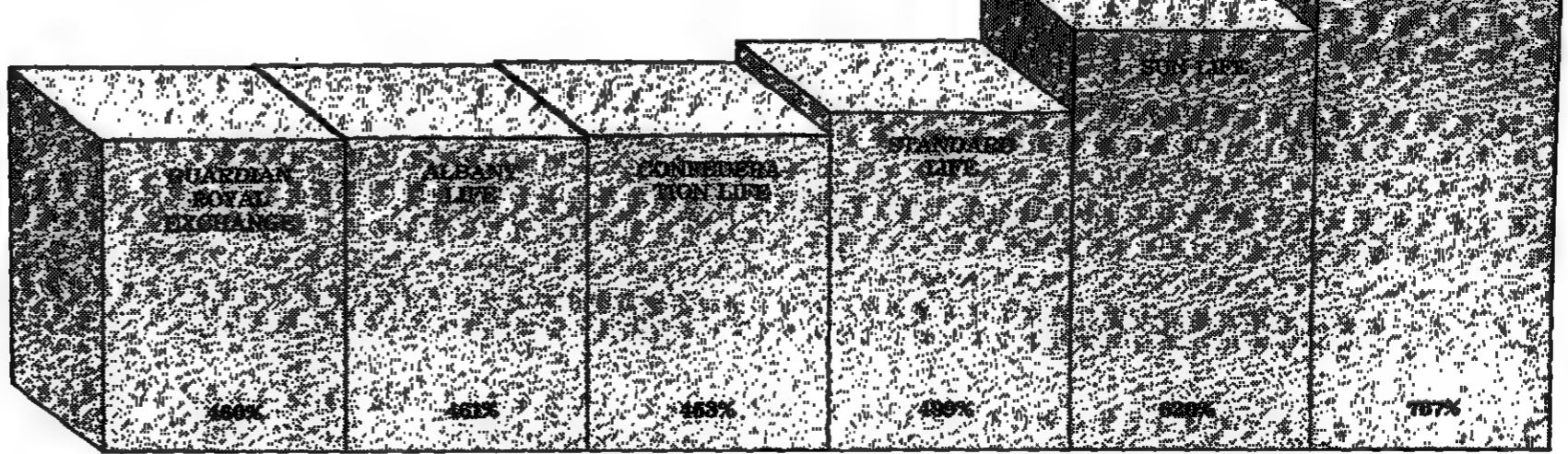
■ South Western's dividend commitments are cautious, committing it only to "a progressive dividend policy." Prospects for the local economy are described as "favourable," although the company adds that growth rates may be lower than in the last five years. The company warns that abnormal weather conditions could affect its distribution and supply businesses. The company's portfolio of electricity purchasing contracts gives it some protection against most movements in the new electricity price market or pool.

■ Northern expects "to pursue a progressive dividend policy which should lead to real growth in dividend payments." It warns of constraints to growth in its domestic customer base. Growth in total unit sales is expected to spring mainly from the commercial sector. Supply profits are vulnerable to unusual weather changes, volatility in oil prices and increases in electricity prices in the pool.

■ Yorkshire expects to increase dividends in line with underlying profits and cashflow. Although sales are unlikely to rise, given the static regional outlook, the distribution business will grow through cost-cutting. The company says the supply business will be specially vulnerable to variations in oil prices and unforeseen movements in the electricity pool.

If you are about to invest in a pension, make sure you look at long term performance.

Top 6 Unit Linked Managed Pension Funds Unit price increase, offer to bid, over 10 years to 1st June 1990.
*Others listed below.



Over 5 years to 1st June 1990, the Target Managed Pension Fund unit price increase, offer to bid, was 77%. Source: Micropal Ltd 1989.

*Other managed pension funds unit price increases are:- Save & Prosper, 410%; Hill Samuel, 396%; Allied Dunbar, 376%; Equity & Law, 368%; London & Manchester, 366%; M&G PENS, 356%; Prudential Harbor, 345%; Barclays Life, 340%; Legal & General, 337%; Property Growth, 327%; Cannon Assurance, 289%; Laurentian, 278%; Skandia, 276%; Abbey Life, 274%; MI UK, 272%; Stewart Assurance, 265%; Naxos, 261%; City of Westminster, 255%.

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11.5% (net p.a.)	11.75% (net p.a.)	11.00% (net p.a.)
15.33% gross*	15.67% gross*	14.67% gross*
		14.67% gross*
*Equivalent gross rate for basic rate taxpayers. Full details of these accounts can be provided on request.		
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FINANCE & THE FAMILY

Company accounts should be treated sceptically, says David Waller

Facts behind the figures

THERE IS something apparently reassuring about a set of accounts. The figures all add up. The balance sheet balances. All the numbers are stated to perhaps two decimal places, suggesting a comfortable degree of precision. The main figures are supplemented by copious, informative notes. To cap it all, the figures are audited, endorsed by a reputable firm of accountants.

Do not be fooled, however, into thinking that the very bulk and detail of the information, or the presence of the auditor's signature at the foot of the accounts, provide any guarantee as to the real state of the company's business affairs. Investors should treat accounts with a healthy degree of scepticism.

This has become especially clear in recent months, a period in which a number of large companies have collapsed. Look at their latest accounts and there is virtually no indication of impending doom. At one moment Pirelli, Peck, Coloroll and Parfild were valued by the stock market at £2bn, £420m and £260m respectively, valuations propped up by audited figures; at another, they were virtually nothing.

What non-accountants fail to realise is that accounts are inherently subjective, the product of often flawed human judgments. Every item in a company's set of accounts - from the value of this year's stock which is so crucial a determinant of profits, to the figure for cash itself - is subject to distortion and manipulation. Auditors do no more than take a view on whether those accounts are "true and fair".

Precisely what "true and fair" means is a matter of intense debate in the accounting profession. The arguments often revolve around outsiders: if at one minute a company's accounts are produced without any "qualification" - without the auditors expressing any reservations about the figures - and a week or two later the company goes bust, how could the figures possibly have been "true and fair"?

This is a sensible question, but one which accountants parry with ingenuity. "Ah well," an accountant might

say, "the point is, were the figures 'true and fair' at the balance sheet date? Was it not eminently reasonable for the auditors to accept those figures at that time? Remember, the auditor did not have the benefit of hindsight."

Not much consolation for those who lost money because they relied on audited figures. The position is made worse in the aftermath of a legal decision earlier this year, in the Caparo case. The tenor of what has by now become a famous judgment, was that auditors' responsibilities towards would-be investors are strictly minimal.

One of the first lessons which serious private investors

learning is how to read a set of accounts. If accounts are so meaningless, perhaps all that slog through the rudiments of double-entry was not worth while. But accounts are not totally devoid of useful pointers to the future and the careful reader will - in most cases - be able to spot warning signs.

In today's dire economic conditions, what counts is cash rather than profits. Cash distinction is crucial and is often not understood by private investors. Cash is the lifeblood of a business, while profit is an accounting invention. Cash sits there in the bank, is used to pay interest and dividends; it tangibly exists. Profits, in contrast, are a function of assumption and judgment.

Certain ratios assume a particular importance at times like these. The so-called liquidity ratios measure liquid assets such as cash, relative to current liabilities. The quick ratio tells you what would happen if the company had to settle with its creditors straight away.

company reported pre-tax profits of £14.1m in 1988 and £161.4m. According to sums done by a leading firm of accountants, the cash outflow - on trading activities alone - was £63m in 1988 and £128.7m in the following year.

These figures are calculated by adjusting pre-tax profits to reflect items which do not involve cash - for example, depreciation - and then deducting any increase in working capital. They do not take account of money spent on acquisitions, capital equipment and so forth: that figure in Pirelli's case was £75.1m in 1988 (up from £228m in 1987), met by an increase in borrowings of a massive £666.9m.

It takes a fairly sophisticated reworking of the company's Sources and Application of Funds Statement to arrive at these figures, and private investors may be forgiven for having missed these particular warning signals: plenty of professional analysts and lenders did as well.

One area of comfort ought to have been the cash balances: £249.3m in the consolidated balance sheet at December 31. But, as Asil Nadir's desperate attempts to get hold of that cash have shown, it was not forthcoming when it was needed: it could not be repatriated from whatever Northern Cypriot bank accounts it was sitting in, and all that was left was the cash in the parent company's bank account, just £8.8m at the balance sheet date.

In the case of Polly Peck, there is a special reason for the divergence between profits and cash flow, namely the way the company accounted for movements in exchange rates. This is a fiendishly technical area, but in essence the losses were booked to the balance sheet - as is allowed under accounting rules - while the profit loss account benefited from any favourable movements.

Two accounting experts, Geoffrey Holmes and Alan Sugden, comment that the write off against reserves in 1988 amounted to £170m - £25m more than reported profits. And interest receivable of £27.8m on short currency loans was netted off against £40.6m interest payable on borrowings mainly in hard currencies; in the profit and loss account, only the net £12.8m figure was shown.

On the recommendation of Holmes and Sugden, in the recently published new edition of their classic work on the interpretation of accounts, they advise investors to have made lots of acquisitions (the rules here are particularly vulnerable to distortion) and those which appear to have exploited too-flexible accounting rules.

A fundamental problem is that the accounts are not forthcoming until after the fact: the precise constituents of profits and they do not spell out clearly enough how much cash is flowing through the business. The Accounting Standards Board, the body responsible for accounting rules, is thinking about reform in this area: it ought to hurry up.

Interpreting Company Reports and Accounts, by Geoffrey Holmes and Alan Sugden, 4th edition, Woodhead-Faulkner, hb £28.95 pb £17.95.



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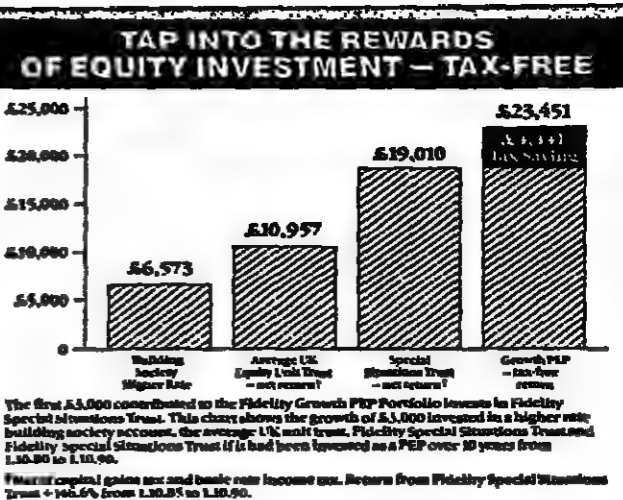
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Fidelity Investments

Effect of AVCs on early retirement

I am a member of a company pension scheme in which the normal retirement age is 62. I have been contributing to the company's arranged AVC (additional voluntary contributions) scheme, which at present is considerably overfunded.

In view of this I asked what effect the AVC scheme would have in enabling me to retire earlier than the age of 62. I was told the appropriate figures but what concerns me was that I would be taking retirement early, the Revenue rules do not permit me to obtain two-thirds of my final salary, irrespective of whether the AVC fund was sufficient to purchase that entitlement.

I find this confusing in view of the fact that I will be over the age of 50 and have completed more than 20 years service with the company. How do the Revenue rules operate and is there any way in which the Revenue can be approached to change this? The Inland Revenue rule on maximum permitted pensions on normal early retirement is to multiply the maximum pension permitted at your scheme's normal retirement date by the number of years service completed with your employer up to the date of early retirement, and to divide

Q&A

BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the answers given to these questions. All enquiries will be answered by post as soon as possible.

by the number of years that you could have completed by the scheme's normal retirement date. This is known as the n/m formula.

Thus, if you could have completed 40 years service by your 62nd birthday, and have in fact only completed 37 years by age 62, the allowable maximum would drop from 66.67 per cent (two thirds) to 61.67 per cent.

The fact that part of this pension is provided by AVCs does not affect the formula as the AVC portion enjoys favourable tax treatment because it is treated as an integral part of the pension.

Where early retirement results from ill-health the Inland Revenue does not apply the n/m formula. This means that an immediate pension can be payable equivalent to the amount that would have been

paid at the scheme's normal retirement date but with final salary being calculated as at the date of early retirement.

The AVC component usually has an important part to play for people who retire early. This is because most schemes apply an actuarial early retirement factor. If this factor involves a reduction of 6 per cent per annum then someone who had clocked up 37/60ths by age 62 would find the accrued pension reduced by 18 per cent, to 50.57 per cent of final salary. This actuarial early retirement factor is intended to give someone retiring early the equivalent overall value for the years of service completed to date as if he had waited to draw his benefit until the scheme's normal retirement age.

Therefore, unless your employer is prepared to make an additional payment into the scheme on your behalf your normal benefit will be substantially less (around 11 per cent of salary) than the Revenue will permit. This is where your AVCs can plug a gap.

A number of people who plan to retire early do deliberately "overfund" their AVC component, to the extent that their scheme rules permit. They do this in the expectation that they will be able to use up

their AVC fund in full without breaching the Inland Revenue limits because this money will be needed to make good the shortfall in the normal pension resulting from the application of the early retirement factor.

Ownership changes

I own a house which is let as three furnished flats on short-term tenancies and which produces £12,000 to £16,000 a year, according to lettings. As a married woman I now benefit from independent taxation, as I have no earnings of my own. I plan to sell the house when the housing market improves.

I have considered sharing the ownership of the property with other members of my family: my husband, son, daughter and myself. If I register the property, would the income from the rents cease to be my sole income and become a shared income in four equal parts?

Yes - unless the property were conveyed from your sole ownership to a tenancy-in-common in unequal shares. You would be chargeable to CGT on the transfers to your son and daughter as though they had paid you the full current market value of their shares in the property. However, you could pay the tax by instalments plus interest, if you wished, by virtue of section 7A of the Capital Gains Tax Act 1979. The balance would become payable immediately a sale contract was signed.

Bequest to family

I am a widower aged 54 with three children in their twenties. I have a house worth £150,000 and £30,000 cash, with £30,000 still outstanding on the mortgage. If I should die while one child is still at home, how can I ensure that he or she will not be forced out but nevertheless not deny the other two their inheritance at some time?

One solution would be to give a life interest in the house to the child who is at home but providing that he or she should discharge the mortgage repayments and that the life interest should terminate on marriage. The interest in capital can then be divided among the children in such a way as to give some rough equality, after taking into account the benefits received under the life interest.

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High interest cheque	4.20	4.70	4.00	monthly	1	10,000-24,999	0
High interest cheque	4.30	5.00	4.30	monthly	1	25,000-49,999	0
High interest cheque	4.40	5.30	4.60	monthly	1	50,000	0
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Ordinary share	7.00	7.12	5.70	half-yearly	1	1-250,000	0
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High interest access	9.75	9.75	7.80	yearly	1	2,000	0
High interest access	10.25	10.25	8.20	yearly	1	5,000	0
High interest access	10.25	10.50	8.40	yearly	1	10,000	0
High interest access	10.25	10.51	8.41	half yearly	1	500-9,999	90
90-day	11.00	11.30	9.08	half yearly	1	10,000-24,999	90
90-day	11.50	11.63	9.46	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	12.75	9.58	7.65	yearly	2	5-25,000	1 mth
Income bonds	13.50	10.12	8.10	monthly	2	2,000-25,000	3 mths
Capital bonds	13.00	9.75	7.80	yearly	2	100 mth	6
30th Issues	9.50	8.50	6.50	not applic	3	25-1,000	5
Yearly plan	9.50	9.50	6.50	not applic	3	20-200/month	54
General extension	5.01	5.01	5.01	not applic	3		8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.33	10.34	8.57	monthly	1	2,500	0
Provincial Bank	10.24	10.73	8.59	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
3pc Treasury 1991	11.75	9.69	6.46	half yearly	4	-	0
3pc Treasury 1992	11.88	9.59	6.35	half yearly	4	-	0
10.25pc Exchange 1995	11.39	8.77	7.19	half yearly	4	-	0
10.25pc Exchange 1994	11.58	9.35	6.01	half yearly	4	-	0
3pc Treasury 1992	9.68	8.68	6.39	half yearly	4	-	0
Index-linked 3pc 1992/95	12.10	9.28	6.95	half yearly	2/4	-	0

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PERSPECTIVES

The cracks in the greenhouse theory

David Thomas analyses the scientific basis for global warming and finds that the evidence is much weaker than many pundits say

VISIONS OF a hotter world have multiplied this year as fears about global warming have spread. One newspaper predicted malaria mosquitoes swarming through southern England, another foresaw bananas growing in the Cotswolds. Last week, a leading prophet of global warming warned of a 5 to 10 per cent cut in world cereal production by the year 2030.

But are these ideas based on sound science? Or are they, as some experts now claim, the product of overheated imagination and shaky deductions from uncertain evidence? Whatever the final verdict, it does seem that the briefs given to many of the world's politicians are more emphatic than justified by the true consensus among experts.

Margaret Thatcher, for example, who is expected to make a keynote speech in Geneva on Tuesday to a UN conference on the subject, believes global warming could reduce the membership of the British Commonwealth, as the Maldives islands disappear beneath the waves.

Governments in the industrialised countries are increasingly talking about fundamental changes to the global economy, particularly in transport and energy production, as if it had been proved beyond doubt that global warming is happening. Even though this proof is lacking, estimates of the costs for the US alone have ranged into hundreds of billions of dollars a year.

In Geneva, ministers from about 100 countries will try to agree a timetable for an unprecedented international treaty on the world's climate. Never before have scientists claimed to be able to predict — and influence — world climate a century hence. As Dr John Houghton, director general of the UK Meteorological Office, says, this has brought scientific argument into the centre of the political arena.

So, some polemicists have alleged that global warming is a fantasy designed to feather the nests of scientific supporters by attracting lavish research funding.

The truth may be less conspiratorial, but it is worrying all the same. The dire predictions of higher temperatures are based on much weaker evidence than most lay people, including most Environment Ministers, realise. The best way to understand how this has happened is to recall how the news about global warming was spread.

The task of analysing global warming was vested in a group of 170 scientists under the chairmanship of the British Met Office's Dr Houghton. This group, sponsored by the United Nations Intergovernmental Panel of Climate Change (IPCC), published a 22-page "policy-makers' summary" on May 25. This was the day on which Thatcher confirmed her belief in global warming and announced a British target for controlling emissions of carbon dioxide, the main greenhouse

gas. The summary included predictions which were seized upon by the world's media. Without countervailing action, it said global temperatures would increase by 0.3°C a decade during the next century. So global temperatures would rise by 1°C by 2025 and 3°C by 2100. The result would be higher temperatures than have been seen on earth for 150,000 years. The warming would cause the sea level to rise by 6cm per decade during the next century.

This policy-makers' summary was based on 11 scientific papers, totalling 338 pages of closely argued text. These papers were not published until September 24, by which time most pundits' views on global warming were firmly fixed. The worrying point is that the background scientific papers are less categorical in tone than the policy-makers' summary.

Dr Andrew Solow, a climate statistician at the Massachusetts-based Woods Hole Oceanographic Institution who took part in the IPCC scientific working group, explains: "The summary did not reflect very accurately what was in the scientific discussions. In the scientific papers, a great deal of care was devoted to pointing out the uncertainties."

For example, the summary paper gives a significantly different emphasis to the question of how soon the world will find out whether global warming is actually taking place. It says: "The unequivocal detection of the enhanced (greenhouse) effect from observations is not likely for a decade or more." The corresponding passage in the background papers says: "Detection of global warming will occur between 2002 and 2047."

Dr John Mitchell, head of climate modelling at the UK Met Office, says that most of the uncertainties were mentioned in the policy-makers' summary, but he acknowledges that there was a problem: "There is a certain tension between the scientists who wanted to emphasise the ifs and buts, and our remit to provide best estimates (of the extent of future global warming, sea rises and so on)."



Dr Solow defines himself as an "old-fashioned sceptic" — someone who believes in global warming, but worries about the accuracy of the detailed predictions in the IPCC forecasts. He reckons that as many as 80 to 70 per cent of the scientists who contributed to the background scientific work share his concerns. "We have an argument with the degree of precision that has been attached to the forecasts. They minimise the uncertainties, the inconsistencies, the real crudeness and problems in the [climate] modelling," he says.

Three rules of thumb are useful for anyone wishing to bring an informed scepticism to bear on the debate:

Suspect predictions from past trends

The IPCC scientists believe average global temperatures have risen over the past 100 years by between 0.3°C and 0.5°C, with a best estimate of 0.45°C.

These figures are controversial, with some sceptics, like Richard Lindzen, professor of meteorology at the Massachusetts Institute of Technology, pointing to the limitations of weather measurement. "I can't tell from the record [whether the climate has warmed]," Prof Lindzen says.

The IPCC papers acknowledge the limitations of the climate record, but from a strictly logical point of view, this is beside the point because global warming theorists do not rest their case on recent trends in the world's climate. "None of us would say that we believe in global warming because of a

0.6°C rise in the last hundred years," says Dr Houghton.

It would have been difficult for the IPCC scientists to have said anything else after their description of the many features in the climate record which do not fit the global warming theory. About half of the last century's warming took place in the early '30s, long before the pronounced increase in carbon dioxide emissions which began in the early '50s.

Beware of climate models

Climate models, are at the heart of global warming theory. But these mathematical representations of what is known of the earth's climate system are in their infancy.

"Many facets of the climate system are not well understood and a significant number of the uncertainties in modelling atmosphere, cryosphere [ice cover] and oceanic interactions are directly due to interactive climate feedback mechanisms," the IPCC scientists admit.

This bald statement is followed by pages of discussion of the crudity of models. Several radical simplifications were needed to generate the central global warming prediction (1.1°C by 2030). In essence, what happened was this:

The scientists gathered the results of 23 climate model studies of what would happen to the world's temperature if atmospheric concentrations of carbon dioxide were doubled overnight. These showed a warming ranging from 1.9°C to 5.2°C. The IPCC scientists then chose three illustrative values for a carbon dioxide doubling: 1.5°C, 2.5°C and 4.5°C. These figures were dubbed, respectively, the "low estimate," the "best estimate" and the "high estimate."

The "best estimate" — a temperature increase of 2.5°C if carbon dioxide doubles — is the basis for the main predictions popularised by the global warming theory. But it was chosen simply because it was in the middle of the range. It is described in the relevant paper only as "the best guess" in the light of current knowledge.

Moreover, few of the models used to generate the warming predictions even tried to replicate the more complete link between the atmosphere and the oceans which are part of the most sophisticated models. The scientists are frank about the reasons: "Such models are computationally expensive and complete global models based on those equations will have to await the arrival of more powerful supercomputers later in the '90s."

Pass over the huge assumptions — undiscussed by the scientists — that lie behind the rate of increase in greenhouse gases emissions underpinning the notion of "business-as-usual" (what would happen if no attempts were made to control emissions) which scientists use to calculate their predictions. But note two final oddities. First, the key scientific paper responsible for the 1.1°C prediction does not devote a single word to discussing it.

This figure, which is now nothing in the in-tray of most environment ministers, simply appears as a bald conclusion in the summary. Second, there is a crucial lacuna: the 1.1°C prediction is based on the "best estimate" calculation, but this best estimate cannot explain the past projected backwards. It gives a higher warming than has actually occurred.

Michael Schlesinger, professor of atmospheric sciences at the University of Illinois, started out as lead author of this crucial section of the IPCC

report. He presented data to a meeting of the IPCC scientists showing that the "best estimate" calculation was too high to explain the past. He subsequently resigned as lead author, now appearing only as a contributor to the paper. Prof Schlesinger will not be drawn on the reasons for his resignation other than to say: "some things were done by certain individuals that weren't acceptable to me."

The heart of Prof Schlesinger's worry is that we do not know if the figure which underlies all the "best estimate" calculations is true — that a doubling of carbon dioxide concentrations will lead to a 2.5°C warming. It may be much less, in which case the world need not take the global warming doomsayers so seriously.

Reject precise forecasts

If the best temperature estimates are uncertain, then the panoply of consequential predictions is even more doubtful.

The IPCC scientists were highly uncertain about their own regional predictions, but this has not restrained others. Last week, Martin Parry, professor of environmental management at Birmingham University, expounded on the impact of the basic global warming predictions on rice growing in north Japan and grain harvests in Saskatchewan in 2030.

Such statements pile uncertainty upon uncertainty. The smart money should not be on bananas growing in the Cotswolds. What then is left of the global warming theory? Not much, say ultra-sceptics such as Prof Lindzen, who doubts the underlying science. But Prof Lindzen remains in a minority. Even "old-fashioned sceptics" such as Dr Solow, backed with global warming, such as phasing out chlorofluorocarbons, which are both a greenhouse gas and depletes the ozone layer. They should be wary of hugely expensive measures justified only by predictions of the greenhouse effect until scientific knowledge becomes much more certain.

The rational course for policy makers would be to back those actions which can also be justified on grounds unrelated to global warming, such as phasing out chlorofluorocarbons, which are both a greenhouse gas and depletes the ozone layer. They should be wary of hugely expensive measures justified only by predictions of the greenhouse effect until scientific knowledge becomes much more certain.

Climate Change and World Agriculture. Martin Parry, Earthscan, £9.95.
Climate Change: The IPCC Scientific Assessment. Cambridge University Press, £16.

O, don't stop the carnival

Jane McLoughlin celebrates the saving grace of Bridgwater

WHEN they made the main shopping street in Bridgwater, Somerset, a few years ago, the planners were given one priority — there must be clear passage left for the carnival carts.

Bridgwater, in Somerset, is traditionally a manufacturing and industrial town set in the midst of a part of the West Country associated with farming, rural retreat and tourist attractions. Like the pallio in Siena, the carnival is the flowering of year-long local effort which gives a dramatic and creative outlet to a community where 53 per cent of the unemployed are unskilled — a public affirmation of a surviving sense of place whatever the lifestyle changes wrought by recession or politics.

The carnival grew out of the Celebration of a local man from Nether Stowey, Robert Preston, who was the brains behind the Guy Fawkes plot. Whether the carnival cele-

brates Preston's idea or the failure of it, you decide for yourself, but there is an anarchic quality to the carnival ethos. Trade entries, for instance, were banned in the 1960s, in favour of the "carts" built by the various carnival clubs based on some of the 34 pubs which catered for 10,000 locals at the time.

Now 80 pub-based clubs in a wider area of north Somerset, each with an average 30 members, prepare floats which, interspersed with an outdoor walking street shows, take some three hours to cover the route through the town centre.

When the show is over in Bridgwater, on the nearest Thursday to Guy Fawkes Day, the Carnival procession moves on to appear in seven separate parades in local towns over the next fortnight.

"It's the biggest night-time carnival in the world," says Chris Hocking, the carnival committee member in charge of publicity. "Each club raises the money for their cart themselves — between £5,000 and £10,000 a float. It costs them at least £3,000 each to hire a generator to keep the lights going, plus diesel for the tractor, and this year is £250, so you can see the reward is in taking part."

For club members carnival is a way of life. The tradition is often passed from father to son, mother to daughter. Sarah Addison, vice-president of the Pentathlon Club, which has won the County Cup four times in the last five years, was first addicted as a small child through her parents Evelyn and Alan Gibbs, landlords of the Thatcher's Arms at Burrow Bridge.

"We have 45 members in all," she says. "The club meets every fortnight throughout the year, and we pick one of about 16 ideas in February."

The rest of the year, building up to evenings and weekends seven days a week as November approaches, the club "gangs" make costumes, paint, sculpt polystyrene, build, do research to ensure historical authenticity, and fund-raise. For a few hours on Thursday night Bridgwater's streets will be transformed by spectacles such as the masked ball from

Phantom of the Opera, Brazilian fests, or wild beasts from the Jungle Book.

"The themes aren't local. This is a chance for people who may work at mundane manufacturing jobs or in factories to use their creativity," says Hocking. "Carnival has kept this community going through recession. We've had a lot of firms which have kept going because their workforce has stayed loyal because they're involved in carnival as an outlet. And where large firms have gone, a lot of the people they've shed have set up in small businesses to find ways around unemployment, many in work focused round building

the carnival cart."

The carnival reflects changes in attitudes. "It has become more involved in fundraising by selling souvenirs. People come from all over the country, and abroad. Five years ago, we sold 400 to 450 videos a year, and now it's more like 1,000. We sell 14,000 calendars, and sweat shirts, badges and key rings," says Hocking.

"We're looking at ways of involving local companies not as sponsors of particular carts, but in assisting the carnival itself financially. Last year, collectors around the parade raised £22,000 for local charities, but that's only 15p a head. We should be able to do better."

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BOOKS

Mistress of Ivyspeak

Anthony Curtis looks at the life of a very private lady

"I HAVE finished writing the biography," said Hazel Holt with a smile that seemed designed to disguise her triumph. "Here is a copy of it."

"And I have read it to the end," said Anthony, pleased at last to capture the initiative. "I shall not ask if you enjoyed the experience, as your quiet satisfaction at the life it describes."

"If only the silence of others could always be interpreted so graciously," said Barbara in a soft distant voice. "Whose life is it that is being described?"

"Yours," said Hazel handing her the book.

"Then I hope I shall find it less dull to read about than clearly Anthony did," said Barbara. "It did not seem dull while it was being lived."

"I deny that I found it dull," protested Anthony to the two women whom he felt were colluding to misinterpret him. "Or if so, only in the external form it took. The inner life seems to have been far from dull."

HAZEL HOLT, in this biography of the life of Barbara Pym, describes how before the second world war, Barbara's Oxford set became stylistically infected by the novels of Ivy Compton-Burnett. They would write letters to each other entirely in Ivyspeak. She quotes from several of these exchanges, some especially brilliant ones by the novelist Robert Liddell. He subsequently wrote a critical study of Ivy's novels and became a member of her circle.

Barbara never became a part of that circle but she did become an admirer, using Ivyspeak as a means of disguising her deeper feelings when she was writing to her Oxford love, Henry Harvey and his future wife. Residual traces of the style are detectable in Barbara's novels which, like Ivy's, are remarkable for the way conversations between people, bonded by family and professional ties, are orchestrated to bring out the nuances of dominance and dependence. Unlike Ivy's characters who belong to a stylised version of Edwardian England, Barbara's are meant to be of the present. In her case this was the period from 1950 to 1961 when the majority of her

A LOT TO ASK: A LIFE OF BARBARA PYM
by Hazel Holt
Macmillan, £14.99, 308 pages

books were published, though many of the attitudes they contain hark back to pre-war days. The level of society is several notches below that of Ivy. The aphorisms are dropped just as lightly, but not while the butler bovers in the background with the claret. They fall instead over a steaming cup of Bournvita, sipped in a suburban bed-sit.

The biography complements A Very Private Eye, the edition of Barbara's letters and diaries which appeared in 1984 edited by Hazel Holt and Hilary Pym, Barbara's sister. Inevitably it covers the same general ground, but Pym fans will certainly want to have both to get all the salient facts about her remarkable career in perspective.

Barbara was the older of two sisters born to Frederic and Irene Pym. Her father was a much respected solicitor in Oswestry before the war. Her parents believed in education for girls. Barbara went to Hoxton College, Liverpool, and then in 1931 to St. Hilda's College, Oxford, to read English. Three years later she went down with a second, a clutch of romantic memories, a life-

long love for English poetry and for a man who subsequently married two other women but always remained a close friend of hers. She began to write novels as soon as she left university and continued to have crushes (that would seem to be the word) on other young men, including Julian Amery and, oddly, a member of the SS in Germany, but she returned home to live without having a job.

The war widened her world considerably. Barbara became a censor clerk and joined the Wrens. She was given a commission and posted to Italy. She became Third Officer Pym. Needless to say she had a whole of a time in Naples, going every night to different drinks parties and shipboard dances, but at the end of it all she had only increased her tally, by one or two more, of men who would never marry her but whom she found it impossible completely to give up.

In 1946 Barbara became a research assistant at the International African Institute in London and the pattern of her post-war life became formed. By day she worked conscientiously at the Institute in Fetter Lane as assistant editor of its journal. She first met Mrs. Holt there and the friendship was cemented over many high lunches at the Kordonian Cafe in Fleet Street. By night and at

weekends Barbara wrote her novels. In 1950, after much hawking around, *Some Time in the Sun* was published by Cape.

Barbara, who retired from the Institute in 1974, was a habitual church-goer. Her characters tend to break down into clergy, academics, anthropologists, and the women who surround them. One of her heroines, who has - like most of them - been cruelly hurt by a man, has the conviction that "it was so much safer and more certain to live in the lives of other people". This, Holt shows, was Barbara's lifelong conviction, worked out both in actuality and in her fiction. The two frequently overlapped. As a novelist she suffered from what D. H. Lawrence called "apoplexy of Jane Austen" - "spinstery limitations". But her books show how these may be just as accurately described as spinstery strengths - wit, detachment, irony, clarity.

Unhappily that was not how the new regime at Cape, inaugurated by Tom Maschler in the 1960s saw them. We learn the full and story behind the rejection in 1963 of her seventh novel, *An Unsuitable Attachment*, after they had published the previous six. Her stolidism at this blow, she continued to write during the years she was without a publisher, and also at an operation for cancer which was diagnosed in 1971, is a moving feature of the book. Fortunately the story ends happily with the rehabilitation of her literary reputation in 1977. This came about through the efforts of Lord David Cecil and Philip Larkin. Extracts from his amusing letters to her are quoted for the first time.

Thanks to these eminent men of letters, Barbara became in demand again as a novelist, was re-published and widely reviewed. Academic studies of her work began to appear, which Michael Costello's interesting *Barbara Pym* (Macmillan, £20.00) is the most recent. *Quiet in Autumn* was short-listed for the Booker Prize in 1977, the year it was won by *Shogun*. Neither she nor Paul Scott had much longer to live, but at least they had the satisfaction of knowing that the struggle to write novels had not been in vain. Barbara Pym died in 1980.



Barbara Pym: spinstery strengths as well as limitations

Philosopher under the microscope

David Murray argues that it's the mind that matters, not the man

MONK'S Wittgenstein biography arrives hard on the heels of the Brian McGuinness *Life* - or rather, catches it up in mid-stride. For the McGuinness project has the philosopher's last thirty-odd years yet to go, whereas Monk's is a single, well-packed volume.

And it is a good, satisfying book, which is hard luck on the Volume 2 still awaited from McGuinness. Perhaps deliberately, Monk doesn't compete with his rival's searching study of the Wittgenstein family background, on the other hand he is precisely interested in the philosopher's relations with friends and lovers, and supplies relevant material in profusion where McGuinness is slightly constrained - properly, some would say - by a certain old-fashioned prudery. (Monk tackles head-on the notorious Bartley allegations about Wittgenstein and rough trade, and dents them severely. Unfortunately a busy-eyed independent reader has now remarked that a passage in James Kirkup's autobiography implies more of the same; the case may yet run on.)

Inescapably, the best documentary material is cited in both books. Though McGuinness sketches the gist of the early, seminal *Tractatus Logico-Philosophicus* at much greater length (perhaps opaquely, for lay readers), Monk's many philosophical comments *en passant* are apt and lucid. His overriding goal, however, is a real psycho-biography, one which will "show - what many who read Wittgenstein's work instinctively feel - the unity of his philosophical concerns with his emotional and spiritual life". A tall order; and fraught with a

priori assumption. Monk tells a lively tale of an Austrian-born bachelor don with a rich, domineering father, an adolescent fascination with Otto Weininger's sexual theories, an anxious concern for duty and personal integrity, and a regular habit of falling in love with young women, and he reveals it with a candour of Wittgenstein's philosophical inquiries. The "unity" remains elusive.

Or is the reference to "philosophical concerns" ambiguous?

Did it mean only Wittgenstein's appetite for philosophy, which might notionally have roots in his psychological history? Or maybe his gnomic style of philosophising (actually two styles, early and late, but both gnomic); room there for at least indecent, and relentlessly diminishing; just anybody's cheap guesses about what might have moved those complicated people. The prose is inflated airport-novels, with some mock period-British chat which is exquisitely jarring to the ear. Amid the strenuous verbiage lengthy similes abound, liable to self-destruct as they proceed, and bathetic re-starts - "Back at the Palais Wittgenstein, meanwhile..."

"At this time Russell was in the process of building his Utopia, a world where, 'Moon had good reason to be offended by the epic ingratitude of Wittgenstein's remark about Ramsey.' Curiously, the pocket-philosophical summaries aren't bad at all 'curiously', for often Duffy stuffs familiar Wittgenstein dicta into conversations and inner mono-

logues he quite mistakes their drift. Perhaps his advisers (duly credited) vetted only the pedagogical insens.

Now, Monk's study is of a higher order altogether - and yet not altogether different. It trades in our modern currency of "psychological" assessment, terms in which his subjects would barely recognise themselves: what kind of illumination is this? Does it supplant other forms of explanation? It makes a gripping read, but at the end, as Wittgenstein remarked of another inquiry, "the philosophical problems remain untouched".

If his methodical insights were right, or even just salutary correctives-at-the-time, a psycho-biography wouldn't explain that if they were wonky, why should we care?

LUDWIG WITGENSTEIN: THE DUTY OF GENIUS
by Ray Monk
Jonathan Cape £20, 654 pages

THE WORLD AS I FOUND IT
by Bruce Duffy
Penguin 16.99, 547 pages



Inspired by failure

Clive Fisher on a perfectionist's final footnote

MOST autobiographers boast their achievements. Cyril Connolly, a confirmed autobiographer, found renown for what he did not achieve. Famously clever amongst the inter-war literary generation with whom he came to maturity, Connolly became, unjustly, a notorious disappointment, most especially to himself.

In fact he wrote all his life: brilliantly idiosyncratic book reviews; a mildly salacious novel, *The Rock Pool*; a celebrated manual for literary survival, *Enemies of Promise*. With *Horizon*, during the war, he established himself as an inspired editor. In *The Unquiet Grave* he used quotations from 30 years of cultivated reading to anatomise his melancholy. Throughout, whether he was dealing with 18th-century literary gossip, rococo architecture, or the Modern Movement, there ran the sardonic thread of autobiography.

But this was less narcissism than self-justification. Connolly's perfectionism persuaded him that "the true function of a writer is to produce a masterpiece", and when it failed to appear he pronounced himself a failure. The least he could do was account for the books he hadn't written: autobiographical details might help explain.

So sketches are supplied of many personal characteristics that stood between Connolly and literary greatness: his reviewing, the white man's grave of his perfectionism, "to the artist as virginity to the nun", but inhibiting nevertheless; his hedonism;

his laziness - "I can go for long spells without working". But if the excuses varied, the quality of his expression did not. Nothing inspired Connolly like his own failure. He could describe it in exquisite tenderness or provocative aphorism, and earned a reputation not only as an uncompromising literary arbiter but also as a great verbal stylist.

SHADE THOSE LAURELS
by Cyril Connolly,
concluded by Peter Levi
Beltan Publishing £12.95,
174 pages

There were moments of defiance: "the books I haven't written are better than the ones other people have". *Shade Those Laurels* falls between the categories. Connolly began work on it in the 1950s, and the first part was published in *Encounter* in 1966. He wrote but left uncorrected and unpublished, parts two and three. At last, the fragment has been completed by Peter Levi, the husband of Connolly's widow, to whom the author had confided the manuscript.

Obviously, *Shade Those Laurels* is a tribute to the sudden death of a famous writer, Sir Mortimer Gussage, "that despised thing, a perfectionist". Connolly had first read detective fiction to dispel the homesickness he felt when living in the south of France. But *Shade Those Laurels* demonstrates again his inability to practise any literary form with impersonal restraint, and the result is a bizarre but fascinat-

ing conceit: a disquisition for academics, an entertainment for amateur toxicologists, a peasean for Connolly's favourite writers, a story about critics, editors and authors, a splintered mirror of its creator.

Like Naylor, the protagonist of *The Rock Pool*, Kemble is passive and diffident. Despite being "an unimportant novel reviewer" and despite betraying Connolly's own "insecurity and the only-child's imagined need for love", he is not a self-portrait. Nor is Gussage, though he shares Connolly's acquisitiveness. The other characters, in as far as they live, reveal.

But Connolly's figures are no more meant to ring true than those of Peacock (whom this book often evokes). They exist as vehicles for his preoccupations, to proclaim his maxims, to shrivel in his satire, which could be keen, above all to affirm the sovereignty of great art. And that, beyond his beautiful prose and his honest appraisal, is Connolly's chief and enduring virtue: repeatedly he insists that only the best will do.

Peter Levi has served his idol well. Modestly, he aimed "to tack a bit of calico on to the end of a wonderful fragment of tapestry". He certainly has the erudition required to continue Connolly, and shows a stronger narrative sense (perhaps he is less easily distracted, perhaps he chose to complete rather than compete). At any rate, we are in his debt: "the representative modern mind", as *Atlantic Monthly* saw it, of this thwarted autobiographer, is a chapter more complete.

gives us a spot of drama but, more importantly, a vicarious trip down into the world of snoring, coking, crack and eventually, the rehabilitation center.

The plot is perfunctory. Nelson's habit bankrupts the company and loses the family the Toyota dealership; Harry has a final illicit fuck, this time with his own daughter-in-law. She blabs. Scared, he runs back to Florida to relive a life of basket ball after which he has a heart attack and, we are almost sure, gives up the ghost. Uplike is not a plot man. He is, we are constantly told, America's contemporary social historian.

He also knows about the big picture. Rabbit's ruminations on the brevity of life and the insignificance of any single being in the great cosmos are a counterpoint to his Frank Harris reminiscences of a lifetime of sexual encounters. To his cast of mind, women appear to be name-tags attached to offices. Yet he does need them as mothers, providers, comforters, sources of reassurance. This is the price of growing middle-age, of being transformed from someone who believes he is the centre of the universe to one who fears he may soon be nothing.

There is no revelation here. As Rabbit's old mistresses are buried and he and his contemporaries all in their mid-fifties, worry about Nelson, you realise that the Rabbit title has had its day. This, when it comes down to it, is a script for fiftysomething.

Joe Rogaly

Off to the Ritz with Clive

ALL AGAINST THE COLLAR
by Clive Jenkins
Methuen £14.99, 243 pages

THESE ARE not the best of times for what used to be the flamboyant left. Derek Hatton has come a bit of a cropper in Liverpool and one doubts whether Clive Jenkins will find much of a welcome for his book on the years when as general secretary of the white collar union, ASTMS, he thought he had the future of the Labour Party, if not the country, in his hands.

Jenkins was never a man for self-moderation, nor one to conceal his fondness for high living. When he goes to Cuba and fails to be met at the airport by Fidel Castro, he simply commands a taxi to take him to the hotel in town. When a fellow trades unionist is ill in hospital and not being well looked after, Jenkins sends his driver to Harrods to buy proper food. He also persuades Robert Maxwell to foot the bill for better treatment. There was particular pleasure in turning the now Lord St John of Fawley to lunch at a local restaurant, much frequented by trade union leaders. The restaurant was the Ritz where Jenkins ran an account. The maître d'hôtel recognised him immediately, but not the then Mr St John-Stevens.

To his credit, Jenkins makes no attempt to conceal all that. He may even exaggerate. Certainly he exaggerates his political influence. Jenkins and his union had a hand in choosing the last two leaders of the Labour Party: Michael Foot and Neil Kinnock. This book almost claims that Jenkins was the prime mover in putting up the two names in the first place. Even if you believe that, you will find it hard to swallow the claim that Lord Welsbach relied on Jenkins as a go-between to find out whether Jim Prior was willing to become chairman of GEC.

Still, Jenkins was an engaging fellow and a great publicist. As one of his union members said of him: "He is a crafty bastard, but you have to remember he is a trades unionist". He relied on taking the unions into parties they had not previously reached: mainly the white collar, managerial, technical sectors. It was a considerable growth area and as his union expanded, partly by amalgamations, it gained increasing power as a wheel-dealer in the trade union movement as a whole.

There were some problems along the way. Jenkins always claimed to be of the left, yet it was hardly the lowest paid and the most disadvantaged that he was helping. Jenkins's members relied on pay differentials, and indeed on increasing wages. So he opposed the Labour Government's incomes policies. He was also firmly against British membership of the European Community, though now professes all the zeal of a convert. In all, it is doubtful if he was much of a friend of the Labour Party. He was more of a manipulator, more than willing to use the devices of capitalism when it suited him. When his union wanted to influence a company, it would buy shares in it. Mrs Thatcher might have been proud of him.

Jenkins has been away on an Australian government fellowship working on the environmental movement. He is now coming back confident that Neil Kinnock - his choice - will become Prime Minister. Perhaps we will see another Jenkins in the House of Lords? He is only 64.

Malcolm Rutherford

Canadian crime

LADIES' NIGHT
by Elizabeth Bowers
Virago £4.99, 238 pages

THIS paperback original is actually a Canadian import, and a very welcome one. In her first novel, Elizabeth Bowers introduces a woman detective, rather in the Sara Paretsky vein: a divorcee, a mistress of mean streets (they exist even in Vancouver), and sympathetic to the outcast and the sexually exploited. The story is perhaps a bit more complex than necessary, but there is a good cop-bust scene towards the end, and a satisfactory denouement. Meg Lacey, we are told, will soon reappear. It will be good to see her again.

William Weaver

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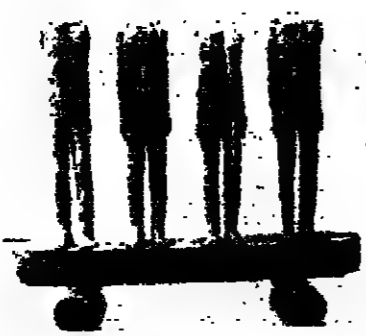
If the two Strads sold it will encourage this select international market. Sotheby's has an optimistic estimate for such an early instrument; there are doubts about Christie's. The violin has been the subject of a campaign rather out of favor among some top soloists: you have to fight to get the best sound from his violins while Del Gesù plays along easily. The Strad was owned by Zukerman, who usually plays a Del Gesù, has recently been heard using a Strad, and probably the most valuable instrument in the world, the violin of the 17th-century German (and belonged to Mannheim), a 1714 Strad known as the "Sail," would easily sell for \$2m. This is one sector of the art world where established reputations are a sign of going out of fashion.

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COLLECTING

Testing times at auction

Antony Thorncroft on the omens for the salerooms

THIS WILL be make or break month for the big auction houses. To date the new season has not confirmed the worst fears of the pessimists, or justified the wilder ambitions of the optimists. Most auctions have registered higher unsold percentages than a year ago, even though the salerooms have only accepted items from vendors if they agreed to reasonable, ie lower, reserve prices, but there have been few complete disasters.

The auctions to date have been routine. This month Sotheby's and Christie's hold important sales of Impressionist and Modern art in New York and a run of top quality sales of British pictures, furniture and silver in London. The middle of the month will be particularly tense. In New York on November 12 Sotheby's is offering 36 works from the collection of the late Henry Ford II. To secure the art against competition from Christie's, Sotheby's had to offer Henry Ford's Estate a guarantee, which is probably in the region of \$50m (\$26.3m). If there is a sudden military or economic crisis which frightens away buyers Sotheby's will be left holding some valuable but unsaleable pictures.

In public Christie's is shy of giving guarantees but it was forced to swallow its convictions and to offer the Yessens family around \$10m to secure works by Jackson Pollock, Monet (one of his waterlilies) and Kirchner for sale this month. If things go wrong in New York both salerooms might find solace in London.

On November 14 Sotheby's offers the finest painting by Constable outside of a museum. "The Lock" is one of six scenes he painted of his native River Stour. It carries an estimate of up to £15m and if it gets anywhere near this sum it becomes easily the most expensive British work of art sold at auction.

The omens are good. It has remained in the family since James Morrison paid 160 guineas for it at the Royal Academy in 1824 and it is in excellent condition. It is the only one of the Stour Six not in a museum and Constable, along with Turner, is known to the Japanese, who accept the theory that he was an influence on the Impressionists. The American Museum of Art, especially the Paul Mellon collection at Yale and the Getty, could be keen. The price seems high in the current climate - the previous auction best for a Constable is £2.6m, although the National Gallery paid £10m for "Young

Waltonians" in 1987 - but its rarity justifies the expectations. There is one minor fly in the ointment. The National Museum of Wales is trying to acquire the picture by raising a matching sum which, because of tax advantages for the owners, need be little more than 28m. It cannot afford it from its own resources; neither can the National Heritage Fund, but there could be a rich benefactor waiting in the wings to whisk away the prize.

Christie's British picture sale two days later has its own minor blockbuster, the striking portrait that, in 1764, made the reputation of the young Benjamin West, the American-born artist who later became President of the Royal Academy. It is of General Monkton, who was second in command to General Wolfe at Quebec and who went on to be Governor of New York.

This should attract North American interest and the fact that, like "The Lock", it has remained in the one family, encourages Christie's in hoping for up to £1.6m, which would equal the auction record for a British portrait, paid for another Benjamin West, a portrait of Joseph Banks.



The portrait of General Monkton that made the reputation of American-born artist Benjamin West

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Mayor of London) but there are very few portraits of him. The National Portrait Gallery must be interested in this one, even with a price of up to £1m.

Among other portraits there are works by Gainsborough and Reynolds which reach down to as low as \$2,000 for a rather boring Hanoverian gentleman immortalised by Reynolds. Earlier portraits can be even cheaper. A striking likeness of the Earl of Strafford by Van Dyck, and his studio, with the inquisitive face almost certainly done by the Master, is very modestly estimated at around £10,000.

For Americans there is one of the innumerable portraits of George Washington by Gilbert Stuart. Stuart painted the most famous image of the First President in 1795, and then lived comfortably for the rest of his life turning out similar portraits, helped by his children and assistants. This one surfaced in England and carries a £120,000 top estimate.

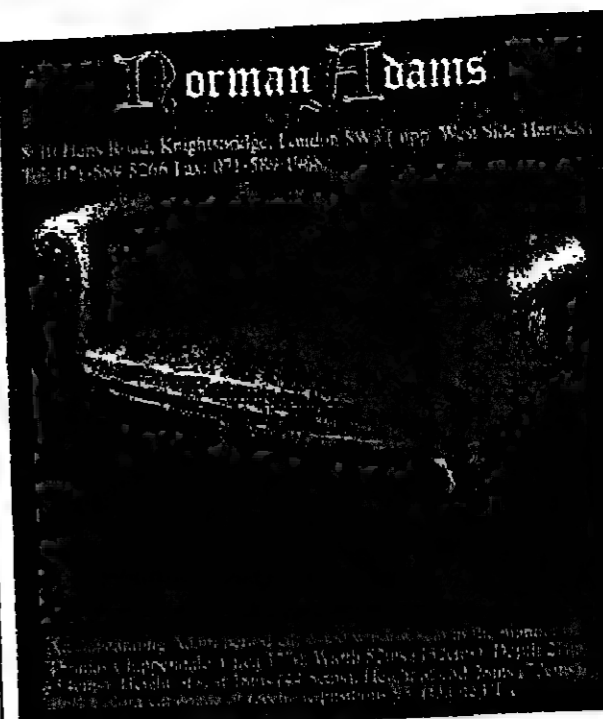
"Pan and Syrinx", a classical landscape by the rare early 19th century artist, John Martin, is also worthy of note. Its top estimate is also £120,000, a fair rise on the £73,105 paid for it in 1947 and the £13,000 in 1978.

Christie's is offering a wide price range to entice new buyers. You can pick up a portrait for £5,000 or less. Apart from the Benjamin West there should be considerable interest in four paintings of Indian scenes by William Hodges, which were commissioned by Augustus Cleveland, who ruled a considerable slice of India before his early death, aged 29. They descended through his family, which married into the Christies of Glyndebourne, and are being sold by Sir George Christie, who can anticipate at least £200,000 if they all sell.

Another gentleman disposing of his art is Lord Daresbury who is popping in around 20 sporting pictures. The Americans may have lost interest in this genre, but first-time picture buyers are often attracted to a hunting scene or a close finish at a race track. There is also a large group from the North Carolina Museum of Art. Unlike the British museums and galleries the Americans have no qualms about weeding out their lesser works of art to raise money to buy better and fresher.

On December 11 Phillips hopes to get in on the act by selling its most expensive work of art ever, another Constable, "The entrance to Fen Lane", which could make £3m.

Typical of the pictures that inspire confidence is a portrait by Zoffany of the firebrand John Wilkes lovingly holding the hand of his daughter. Wilkes was the great libertarian of the mid-18th century (even if he did end up as Lord



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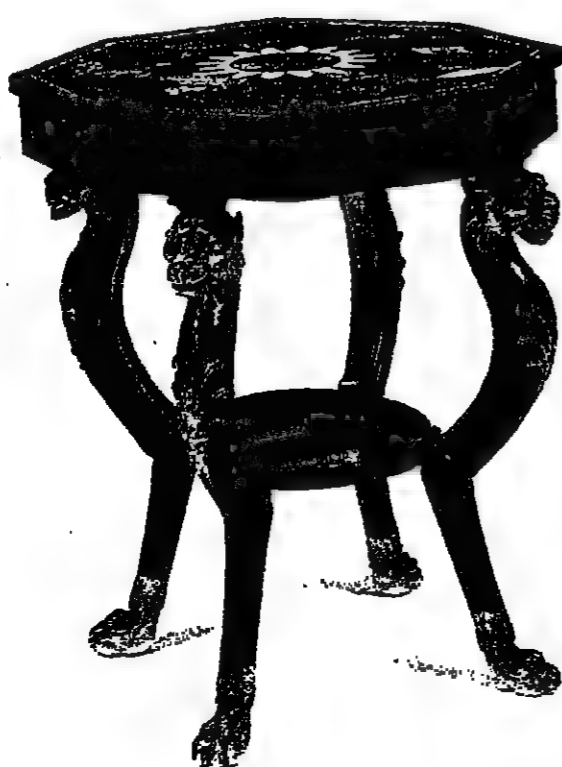
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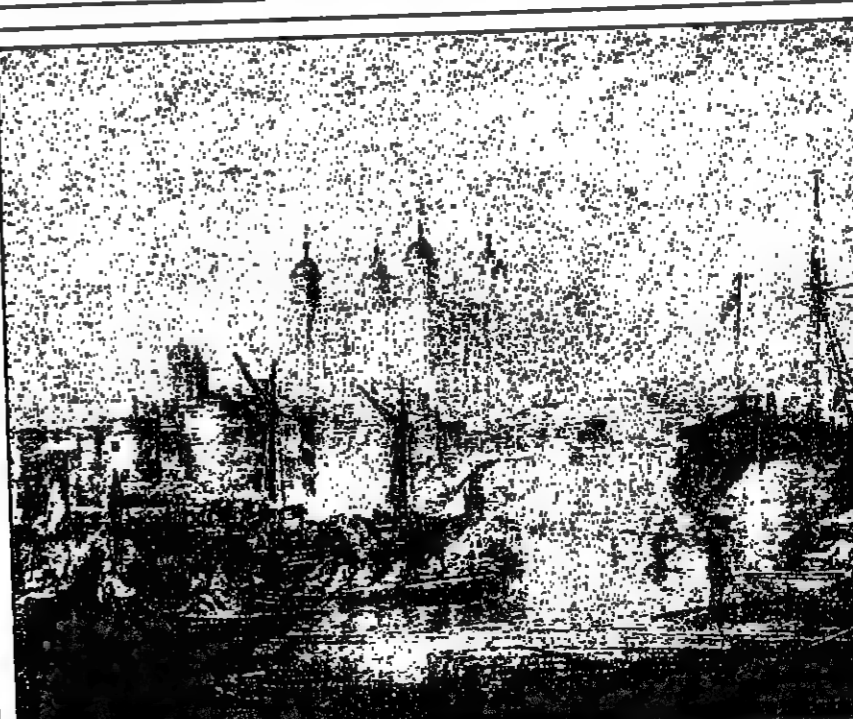


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COLLECTING

Those which climb the highest fall the furthest

The economic downturn has hit the international art market.
Homan Potterton charts the rise in buy-ins and the fall in prices

BY THIS stage no one is in any doubt but that the art market, particularly the auction market, has taken a tumble and the effects of the chill are being felt worldwide.

From the dizzying glamour of the Manhattan auction rooms of both Sotheby's and Christie's to the more chaotic surroundings of the Adam Salerooms in Dublin, things are not going too well.

"Bee-eyes", as the auctioneers euphemistically refer to those items which remain unsold - "Bought in" they say when they are feeling more expensive - are now a great deal more common than record prices were in the halcyon days of not so long ago, and that was very common indeed. Sotheby's much-publicised sale of the Pan Asian Collection in New York the other day realised \$2.73m (£1.38m) against a pre-sale top estimate of \$4.5m; and at Adam's recent sale of Irish art - a boom market of yesterday - 38 per cent of the lots on offer failed to sell.

It goes without saying that those things which climb the highest fall the furthest. Prices for paintings by the Irish landscape painter, Paul Henry, spiralled last year to an eventually staggering £63,800; but out of five pictures by him offered at Adam's last month, only one - a modest work - was sold, and that fetched a meagre £3,200.

Similarly the case of one of the greatest masters of the 20th century, Willem de Kooning. His "Interchange", painted in 1955, became the most expensive contemporary painting ever sold at auction when it went for \$20.6m at Sotheby's New York exactly 12 months ago; but last May his "Woman as Landscape", dating from the same period as "Interchange", became one of the biggest "Bee-eyes" on record when Sotheby's failed to sell it at \$4.75m against a pre-sale estimate of \$9 to \$12m.

It was in the field of Contemporary Art that the art boom of recent seasons reached its

most preposterous levels. Auction records in millions of dollars that were made in the autumn were broken in the following spring as works of art, which were no more than a few decades old, flooded into the salerooms.

The work of Pop artist Roy Lichtenstein was a case in point. His record of \$92,000, established in 1966, became \$2.85m in 1988 and \$6.05m in May of this year. But it was

lowed by Impressionist and modern Art a week later are one of the pulses by which the health of the art market is gauged and Sotheby's, Christie's and the art market in general are, with some justification, awaiting the outcome of next week's sales (Sotheby's on November 6 and 7, Christie's on November 7 and 8) with some trepidation.

Both auction houses have started to hold modest Contem-

year it was painted, it may sell well. But it is unlikely to top the artist's record of \$20.6m.

Christie's is hoping for a record price for a Cy Twombly painted in Rome in 1961. It comes from a European collection and is estimated at \$4m to \$6m. Twombly's record of \$5.5m was set by a Japanese dealer at Sotheby's in May.

There are several major Abstract Expressionist works at Christie's including a Jackson Pollock, a Franz Kline, and two paintings by Mark Rothko. Pollock's widely exhibited drip-painting, "Number 13, 1949", is estimated at \$3m to \$4m. The Kline of 1957 (estimated \$2.5m to \$4.5m) and both canvases by Rothko - one 1957, the other 1958 - (estimated \$3m to \$4m and \$2.5m to \$3.5m) have long been in private collections which is a point in their favour.

Other top lots at Christie's are by Warhol, Jasper Johns, and Francis Bacon. The nine-panel Warhol "Self-Portrait" may break the artist's record of \$4.07m which was established for a Marilyn in May 1988; the Bacon "Portrait of George Dyer" is expected to fetch up to \$4.5m.

Sotheby's also has work by Twombly (estimated up to \$3m), Kline (estimated \$1m), de Kooning (estimated \$350,000), Rothko (estimated up to \$2.2m), Johns (estimated \$1m), and Warhol (estimated \$1m) on offer. It is also selling several paintings by Hans Hofmann with estimates of about \$500,000.

Of the four canvases by Jean Dubuffet on offer, two are very fine: "Vaches au Pre" of 1964 (estimated \$2m to \$2.5m) and "Maison Fondée" of 1961 (estimated \$2.5m to \$3m). With four works by Lichtenstein, a fine Helen Frankenthaler and an exceptional Robert Rauschenberg of 1961, "Third Time Painting" (estimated \$4m to \$5m), Sotheby's will be hoping that next week's sales will restore confidence in the market for Contemporary Art.



Oil in troubled waters: "July" by Willem de Kooning, on sale at Christie's New York next week, estimate: \$5m-\$7m.

also in May this year that the market suddenly cooled.

At Sotheby's main sale of Contemporary Art on May 8 last it came as a shock when 31 per cent of the lots on offer failed in an auction which totalled \$65,574,500. The magnitude of the collapse may be appreciated when one considers that at the big contemporary sale in the same rooms six months previously, only 8 per cent of lots were bought in at a session which totalled \$68,285,000. At Christie's last May, 34 per cent was unsold and the grand total was \$40,168,500. The previous November Christie's sale totalled \$62,358,100.

The big autumn sales of contemporary art in New York fol-

lowing Art sales in early October - to test the water as it were - and results from those sales a few weeks ago do not exactly augur well. At Sotheby's sale on October 4, 41 per cent was bought in; at Christie's the following day, the figure was 29 per cent.

Sotheby's is estimating that its main Contemporary sale next week will bring in between \$38 to \$50m. Christie's expects \$47.7m to \$65.4m. One of Willem de Kooning's large abstract coloured paintings dating from 1966, "July", is top lot at Christie's: it is estimated at \$5m to \$7m and as it is fresh to the market, having been in the same private collection since it was purchased from the Sydney Janis Gallery the

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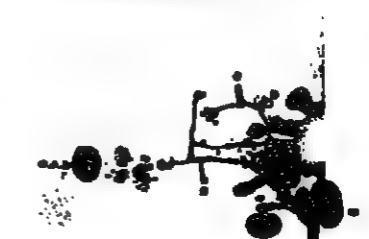
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COLLECTING

THE AUCTIONEERS of France emerged from their recent congress in the sedate Normandy resort of Deauville after hearing what the government has in store for them for 1993 at best confused and at worst in a state of shock.

An open European market will be the biggest shake-up in the history of French auctioneering since its status was first defined by royal decree in 1552. Many smaller houses are expected to be absorbed or go out of business and only the most dynamic firms seemed prepared for change.

The financial state of auctioneering in France is good but could be far better, art world professionals think.

According to figures published by Christie's, French auction sales in 1989 represented over a third of all those in continental Europe - \$400m out of \$1.1bn, far behind America's total of \$1.6bn and Britain's \$1.1bn.

French auctioneers enjoy a national monopoly on sales, are officially appointed by the Ministry of Justice and have to work within a byzantine mass of fiscal and administrative regulations.

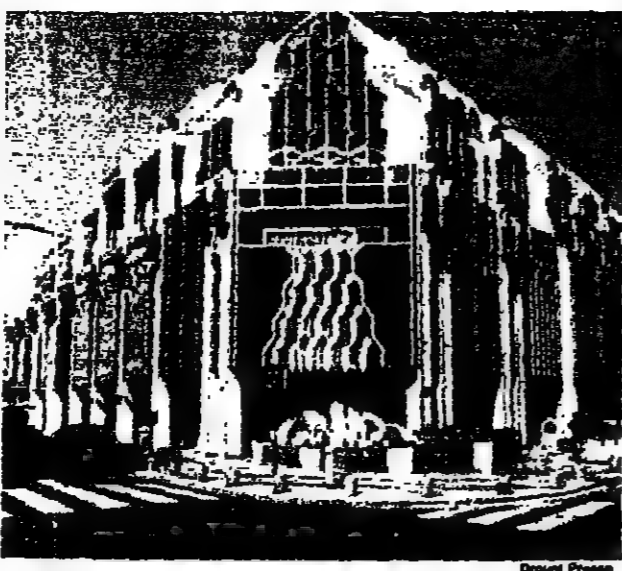
Faced with the prospect of companies like Sotheby's and Christie's moving on to their patch, panicked French auctioneers are divided between a minority who welcome foreign competition and the enormous impetus they say it will give to the French art market in general, and those who are trying to shore up their profession's fragile protective barriers.

At the Deauville congress the Ministry of Justice representative, Christian Roehrich, said France's auction business must be streamlined at home to make it fit for Europe. In particular he criticised the old privilege of "national competence" whereby an auctioneer may practise in only one region of France (but in Tokyo or Monaco if he wants to) and warned that the status of "ministerial officer" must not be "a source of scorn and protectionism."

He also reminded his horrified listeners that French auction companies will soon be able to open their capital to outside sources to the tune of 25 per cent.

Some auctioneers hope the government will allow foreigners admittance only if they pass French qualifying examinations and train with French auction houses. But as France's 440 auctioneers hardly form a weighty lobby the government is expected to do as it pleases.

At present French auction houses are organised into nine regional "chambers". Paris is



The facade of Drouot-Richelieu

Hammer blow for French auctioneers

Nicholas Powell on the problems confronting French salerooms

one and its 105 auctioneers work in 64 companies and account for half the sales in France. Grouped within the umbrella organisation *Compagnie des Commissaires-Priseurs de Paris*, they share saleroom facilities at Hotel Drouot near the Opera.

With its upmarket jumble sale atmosphere Drouot's 18 salerooms draw around 5,000 visitors a day to a wide range of often middling quality sales of stamps, rugs, vintage toys, wine, jewellery and modern paintings.

Important sales are grouped into special fortnights called "Temps Forts", held twice a year. Since 1988 the largest prestige sales have been held in the Theatre des Champs Elysees on the avenue Montaigne.

Drouot is currently riding high on an economic boom: sales increased by 70 per cent between 1988 to 1989 and have tripled over the past three years.

Modern paintings, for example, represent 41 per cent of sales for France's largest auction house, Ader Picard Tajan, a figure that compares well with the performances of Sotheby's and Christie's in the same field.

Sales of Old Master paintings are rare events in Paris. But sales do reflect the areas of the art market in which France is strong: old books, art deco furniture and objets d'art, silverware, regional furniture and pottery.

Francis Briest, who runs France's third largest auction house, which totalled sales of Frs 300m in modern paintings last year, says Paris offers a more personalised service than New York or London.

"In the 1950s Paris was the world's leader in auctioneering and after 1980 it will be the real European capital once again - behind New York but ahead of London. Competition will be tough but European art lovers come to Paris more easily than they go to London," he said.

Jacques Tajan, of Ader Picard Tajan, is a fervent partisan of letting in Sotheby's and Christie's. "The British are already here - they are competent, get good results and already sell French art in Geneva, Monte Carlo and New

York. It would be in France's interest if they sold it here," he said.

Guy Londmer, who last March handled France's biggest auction ever, the Bourdon sale of modern paintings which netted FFrs96m, has, like Ader Picard Tajan, built up important commercial links with Japan. His November 25 sale of modern paintings will be broadcast by satellite on high definition TV to five Japanese cities.

"Drouot is suitable for middle-of-the-market sales which are attended mainly by dealers. But it is inadequate and badly situated for the sort of private international clientele we need to attract for top quality sales. We need a place which will have all the necessary services to hand, like Sotheby's and Christie's," he said.

Francis Curjel, managing director of Christie's France and Europe, says the restrictions on the movement of works of art and administrative difficulties - such as the average three-week wait in France for export licences - mean many French clients prefer to buy and sell in the UK and US. Lower buyer premiums - 3 per cent in France as against 10 per cent in London and New York for items over £100,000 - also explain why the French auction business lags behind.

"There aren't any advantages to coming to auctions in Paris. Of course people love coming here to buy art, they enjoy the restaurants and life here. But auctions are so complicated and the bureaucracy is so arcane - and prices are not systematically lower than elsewhere."

"I think the market will open up one day and there's huge potential here. But I look forward to a reduction in administrative difficulties and an all-round harmonisation of taxation. If that happens so much the better. If not, we'll carry on as we are."

Julian Baron, head of Sotheby's in Paris, says that unless French auctioneers adapt to a "non-monopolistic world" they will not survive.

"One only need look at the effect the arrival of Sotheby's and Christie's had on New York to see that if we were able to operate in Paris the city would very likely assume a dominant position in the world art market. It would certainly increase turnover for Parisian dealers and gallery owners."

"It's extraordinary if you consider 60 per cent of works of art sold by Sotheby's come from or have their origin of creation in France. Yet it's the only place in the world we can't hold an auction," he said.

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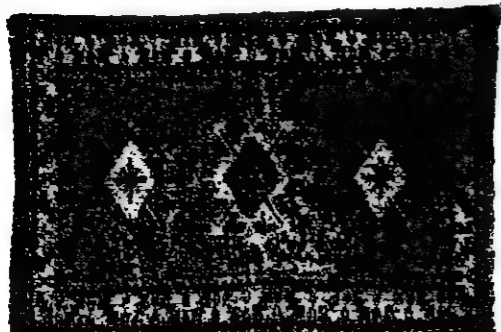
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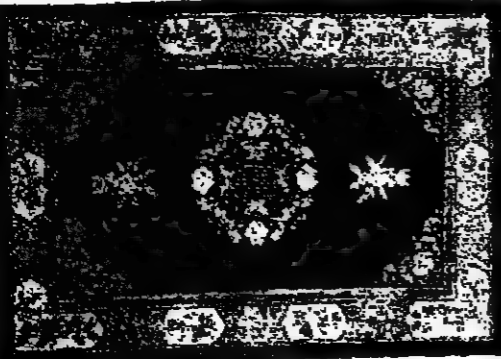
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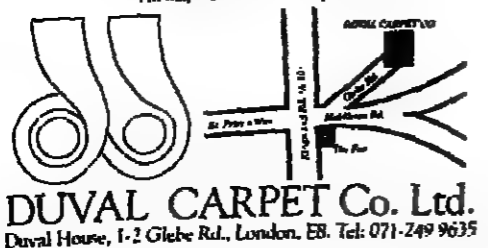


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FOOD & WINE

Big is better, if you like pumpkins

I NOW know how Alice must have felt when she took a swig from the bottle labelled "drink me" in that rabbit hole of hers. Within 24 hours I came across offerings Lilliputian on the one hand and Gargantuan on the other. Never before has the dichotomy of size in the vegetable world hit me so forcibly.

At a memorable lunch held to mark the launch of the paperback edition of Raymond Blanc's best seller, *Recipes from Le Manoir aux Quat'Saisons* (published by Macdonald), we saw infant vegetables tucked up in their beds in the garden and met them again on our plates - mini courgettes, leeks no larger than spring onions, turnips as small as radishes, and carrots you might mistake for thinnings. As pretty as a picture they were, and pretty delicious.

Market day in my local town offered no such daintiness but there were plenty of sun-swollen bargains to be had - piles of fat glossy aubergines, obese tomatoes and peppers built on generous lines. Biggest block-busters of the lot were massive orange and tawny-gold pumpkins, lined up like a taxi rank of coaches awaiting departures from Cinderella's ball. Small may be beautiful, but sometimes big can be desirable too.

STUFFED & ROASTED RED PEPPERS

(serves 4 to 6)

Red peppers as glossy as Chi-

nese lacquer are transformed by cooking from clean, crisp and juicy to soft and rich. Cooked this way I serve them tepid for an appetiser, with bread to mop up the juices. Or, for a lunch dish, I serve them hot with rice or some other grain and a leafy salad.

4 plump, smooth and well-shaped red peppers; 8 tomatoes, skinned and cored; 1 bulb of Florentine fennel, trimmed and cut into slivers; 3 garlic cloves, finely chopped; at least 1/2 teaspoon fennel seeds crushed to a coarse powder; olive oil; 1-2 lemons; a little Pernod (optional); 1-2 oz pinenuts, well toasted; freshly chopped parsley, preferably flat-leaved.

Wash and dry the peppers, leaving the stalks intact. Cut each one in half, slicing from the tip of the stalk to the base, and scoop out the seeds. Brush inside and out with oil and season the interior of each shell generously with salt, pepper, chopped garlic and fennel seed. Sit a whole tomato inside each halved pepper and surround the tomatoes with slivers of bulb fennel brushed with oil.

Wedge the peppers side by side in an ovenproof dish suitable for bringing to table. Pour a generous tablespoon of oil over each one and season again with salt, pepper and fennel seed. Roast at 400°F (200°C) gas mark 6 for 1 1/2 hours until the vegetables are well cooked and lightly coloured.

Anoint each stuffed pepper with a drop of Pernod if you want to heighten the fennel flavour. Check the juices for seasoning and give them a drop of the hard stuff too if you like. Garnish with wedges of lemon and scatter with the pinenuts and parsley just before bringing the dish to table.

AUBERGINE & SESAME CREAM

(serves 3)

This looks like a deep, crustless quiche studded with aubergine and spiced with cumin and sesame seeds. I like it best as a first course, with a few frizzy endive leaves on the side to offset the richness. It can also be served as a partner for cold roast lamb.

1/2 lb-1 lb aubergines; 3 tablespoons sesame seeds, well toasted; 2 teaspoons cumin seeds, toasted and crushed to a powder; 1-2 garlic cloves crushed with 1/2 teaspoon or so of salt; 2 whole eggs plus 1 egg yolk; 8 fl oz whipping cream; a little parsley.

Peel and dice the aubergines. Steam them for 8-10 minutes until tender and drain very thoroughly. Then put the aubergines into a bowl, sprinkling the well-toasted sesame seeds between layers. Lightly beat together the garlic, the powdered cumin, some black pepper, the eggs and cream. Pour this over the aubergines and mix gently.

Lightly oil a deep flan tin measuring 8 inches in diam-

eter, line it with a circle of greaseproof paper and brush with oil again. Put the aubergine mixture into the tin, spreading it evenly, and bake at 300°F-325°F (150°C-160°C) gas mark 2-3 until set.

Leave until tepid before unmoulding and peeling away the greaseproof paper. Decorate, for the sake of colour as much as for flavour, with flat parsley leaves or a ring of chopped curly parsley. Serve cold, the same or the following day, cut into wedges like a cake.

PUMPKIN SOUP WITH CHESTNUT & APPLE

(serves 6-8)

For dinner this can be served lightly garnished with a sauté of diced apple and crumbled roast chestnuts. For eating round the bonfire the soup should be so generously laced with fruit, nuts and croutons of fried bread that a spoon will almost stand up in the bowl.

A slice of pumpkin weighing about 2 1/2 lb; 2-5 fine dessert apples; 1/2 lb-1 lb chestnuts; 1 onion; 1 small orange; scant 1 tablespoon finely chopped fresh ginger root; nutmeg and allspice (or caraway seeds); butter and oil; 2pt stock; bread for making croutons.

Chop the onion and soften it in a little oil in a large soup pan. Cube the pumpkin flesh and add it to the pan together with the ginger, the finely grated zest of the orange, and a good grating of nutmeg and a

large pinch of allspice. (If preferred, omit the nutmeg and allspice and flavour the soup with lightly bruised caraway seeds instead.) Stir to coat with fat and flavourings and pour on the stock. Cover and simmer gently until the pumpkin is soft enough to crush to a puree. This may take anything from 20 to 40 minutes.

Meanwhile, prepare the other ingredients. Roast the chestnuts, peel and break them into pieces. Better still, enlist helping hands to do this for you. Peel and dice the apple, sauté it briefly in a little butter until golden, and keep hot, uncovered. Dice the bread, fry it until crisp and keep hot separately, again uncovered.

When the pumpkin is ready, process it to a puree or pass it through a Mouli-legumes. Return it to the pan, add the juice of the orange and the chestnuts. Reheat gently and check seasoning.

If it is to be served for dinner, you may like to thin the soup with a little more stock or creamy milk, then serve it with the garnishes of apple and croutons in separate little dishes so that everyone can help themselves. For a substantial supper soup, add the apples to the pan at the same time as the chestnuts but, for the sake of crunchiness, save the croutons until the moment of serving.

Philippa Davenport



Richard Smart sits in some light at Moorlyncch Vineyard in Somerset

Hurricane Smart hits the vines

AUSTRALIANS ARE not famous for their tact. They exist, one has suggested, to make Americans seem suave and

sophisticated. It is hard to imagine then a more incongruous meeting of cultures than a recent Canopy Management Workshop at which England's genteel vineyard owners paid to hear an outspoken Australian viticultural scientist Richard Smart had to say about their fledgling and off-putting industry.

More than 80 of them were prepared to drop secateurs in the middle of what promises to be an exceptionally good, if not particularly big, English vintage to listen to a guru they had flown halfway round the world.

The most striking thing about England's vineyards en masse, it has to be said, is their age. Not exactly old, and flatter than many a teenageer they look the target market for those selling garden kneelers and ribbed jumpers covered with canvas patches. Partly perhaps because they are more likely to be ambitious gardeners or hedonist farmers than wine connoisseurs, these pioneers are particularly thirsty for advice. Vineyards seem to have joined, or perhaps supplanted, country pubs as Third Age pursuits and there are now more than 400 vineyards covering about 2,000 acres of British soil.

This was the 51st vine growing Workshop conducted by Dr Smart, a no-nonsense iconoclast who has revolutionised vine growing in New Zealand, has clients in Australia and the US, has nosed around vineyards all over the vinegrowing world and is earning himself an international reputation. He offered his services to English vinegrowers after a brief stop-over last year.

"I had the impression then", he explained to his audience, "that you suffer some of the problems common to new vineyard areas and that maybe I could help. Yours is one of the most interesting industries I've seen anywhere in the world."

There was an outbreak of expectant knee-crossing at this point. "What you're trying to do is biologically difficult. You're growing your vines at the geographical limit of cultivation. But it's worth doing because it is technically possible on the best sites, because the industry can enrich the UK with its tourism implications and because British agriculture's a bit in the doldrums at the moment and can do with all the help it can get."

"You have got a basic problem though - lack of profitability - because of the unpredictability of the climate, and because so many of you are trying to do things on too small a scale."

"You're a new industry bedevilled by Old World problems. You've learnt your technology from Europe, so some of the things I say today will verge on heresy."

"The principle that irrigation ruins wine quality, for example, I understand why the Europeans think it. They're wrong, but I understand why they think it. Some of you may feel your blood pressure rising. Just hang on till question time and we'll talk these things through."

"I regard myself as a wine-maker. It's very common that I go into a vineyard, make some adjustments, often to the vine trellis, and improve wine quality. I hope that by the end of the day you will have some new ideas on applying techniques to improve wine quality in your vineyard. You may also improve yield but that's a side benefit." The faces above the Barbours looked brighter already.

When he got to the part of his standard introductory lecture that deals with rot, they all stopped taking notes. There is nothing an Australian can tell an English vinegrower about that particular consequence of a humid climate which, until the last two benevolent summers, has actually determined the date of the harvest in many cases.

Rather than wait until the grapes are fully ripe, the normal procedure, some English growers have had instead to start picking when they feel the grapes should not be more. But Dr Smart's most relevant diagnosis may sort out that sorry state of affairs (although, as he pointed out, there is always global warming to console the English wine industry).

Smart's thesis is that vines in England, as in New Zealand where he was until recently the Ministry of Agriculture's vine man, tend to be too vigorous, too leafy to do the job of grape ripening properly. His theory is that the European idea that a struggling vine makes the best wine may in reality be based less on the exact nature of the soil, but on the fact that if the vine struggles there's not too much leaf, or canopy.

"On a more vigorous vine if you remove the leaves that are shading the fruit, you will increase the quality (and, inci-

dentally, the yield) of the resulting wine. The French have been very, very clever in defining quality as something they do and enshrining it in law."

A Francophile would at this point be examining Dick Smart's shoulders for indications, but this audience, like just about all wine producers outside France, also tend to see France as the intransigent, privileged adversary. His theory is that many accepted European vineyard practices - strict pruning, heavy trimming, frequent cultivation - are in fact continuously "devigorating" the vineyards.

"Maybe what's great about the famous vineyards is not just the soil, the climate and the grape variety, but the interaction between fruit exposure, leaf exposure and the vine's physiology - and those are all things you can manipulate, which is magic."

"At least some of the reason why areas like the Central Valley in California produce such poor wine is that they have these dreadful heavy canopies shading the fruit. I'm not saying they could produce great wine but they could produce much better wine if their canopies gave better exposure. I've demonstrated that in hot, irrigated, supposedly low quality Australian vineyards."

He argues that increased use of fertilisers and chemicals has tended to increase vigour everywhere and sees too many leaves as his natural enemy. Too dense a canopy turns inner leaves yellow and stops fruit ripening as well as restricting the ripening of the vine's wood that is crucial for future harvests. And shade reduces not just sugar but colouring, tannins and flavour elements in the resultant wine.

Smart had an array of canopy-lightening trellises to propose, depending on the natural fertility of the vineyard but wisely acknowledges that the standard French systems are perfectly sensible for low fertility sites such as the accepted great vineyards of France.

He talks such sense that these English vine growers, many coping with vigorous sites, were fired with enthusiasm for making more and riper wine by a rethink in the vineyard. As for Smart, he is angling for a nice retirement job eventually managing the canopy of the famous vine at Hampton Court, planted two years before Captain Cook set eyes on the Antipodes.

There are many really fruity, well-made English 1989s. Hampton Court Fine Wines of 3 Harcourt Street, London W11, (071-723-7202) is as good a place as any to find these useful aperitifs, at around £5 a bottle.

Jancis Robinson meets a man who preaches revolution

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A recession is on the way and the high-rollers are reduced to eating stew but New York is still a spender's paradise, says Lucia van der Post



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TRAVEL

Ups and downs of acquiring winter climbing skills

MIKE DENNIS arranges and leads winter and summer walking and mountaineering courses in Scotland for groups or individuals that wish to hire his services. He is not cheap but he has a reputation for creating imaginative, tailor-made programmes that challenge, inspire and occasionally frighten the participants.

I had joined him, somewhat nervously, on a course designed for keen summer walkers wanting to learn winter climbing skills. There were six of us in the party, and they included Mike's assistant, Gerald, two young executives and an 18-year-old apprentice from a Welsh paper mill. At 45 I was the oldest.

We travelled together in two cars to our base in Scotland, a wooden holiday chalet in Onich, 7 miles (11 km) from Fort William. On the evening of arrival we discussed safety on the hills and the basics of navigation in winter conditions, ice axe and crampon techniques.

By early light on the following day we were on our way to climb Ben Star, 1,078 metres (3,536 ft), my first ascent of a Munro (a Scottish mountain over 3,000 ft). On the way up we practised breaking a snow or ice slide by rolling over and pressing the chisel end of one's ice axe into the rucksack strapped area of soft flesh under one's shoulder and then pressing and leaning the sharp end of the axe into the snow. Mike Dennis was a good instructor. He was friendly but retained an element of objective reserve.

On Day Two we climbed Mullach Nan Coirean (839m). On the way up we observed snow phenomena such as wind slabbing (a cause of avalanches), overhanging cornices, snow feathering and spindrift. We also sighted a white-tailed mountain hare, two ptarmigan and the tracks of Scottish wild cat. I discovered to my relief that my clothes and equipment (borrowed and bought, according to a list supplied by Mike Dennis) stood up to the conditions and that my legs were as strong as those of the others except for the Welsh lad, who was something of a human snow plough.

The following day the alarm was set for 6am. We left the chalet for Fort William at 6am and from there took a two-carriage sprint train to Corran Station, a stopping point surrounded by high mountains and moorland with no access by road. The platform was a metre thick in snow. We left the station and set off eastwards in the half light of a winter dawn, heading for the banks of Loch Ossian.

As we approached a wood at the loch's edge, a herd of red deer came into view. A muscled stag watched us, then slowly turned and sauntered off, taking the herd with him.

David Scott on tailor-made mountain and walking courses

We turned north and started the steep climb to the summit of Beinn na Lap (937m).

We took turns kicking steps in the thick soft snow. It was exhausting work and one of the group retreated to the station. On the summit we each dug a shallow depression in the snow and settled down for tea and sandwiches.

Almost immediately, and without warning, it began to blow. The dividing line between earth and sky quickly disappeared in a blanket of snow. We rapidly packed our thermos flasks and stiff, snow-flecked sandwiches. Mike took a compass bearing and led a fast descent from the mountain top.

My eyes were stung by closing by horizontal, driving snow. I attempted to get my goggles from the side pocket of my rucksack but the zip was frozen. Head down, I got close to Mike and followed his heels. Suddenly I was stepping on air, not the imprint of his foot-steps, and then found myself

sliding rapidly down a steep icy slope.

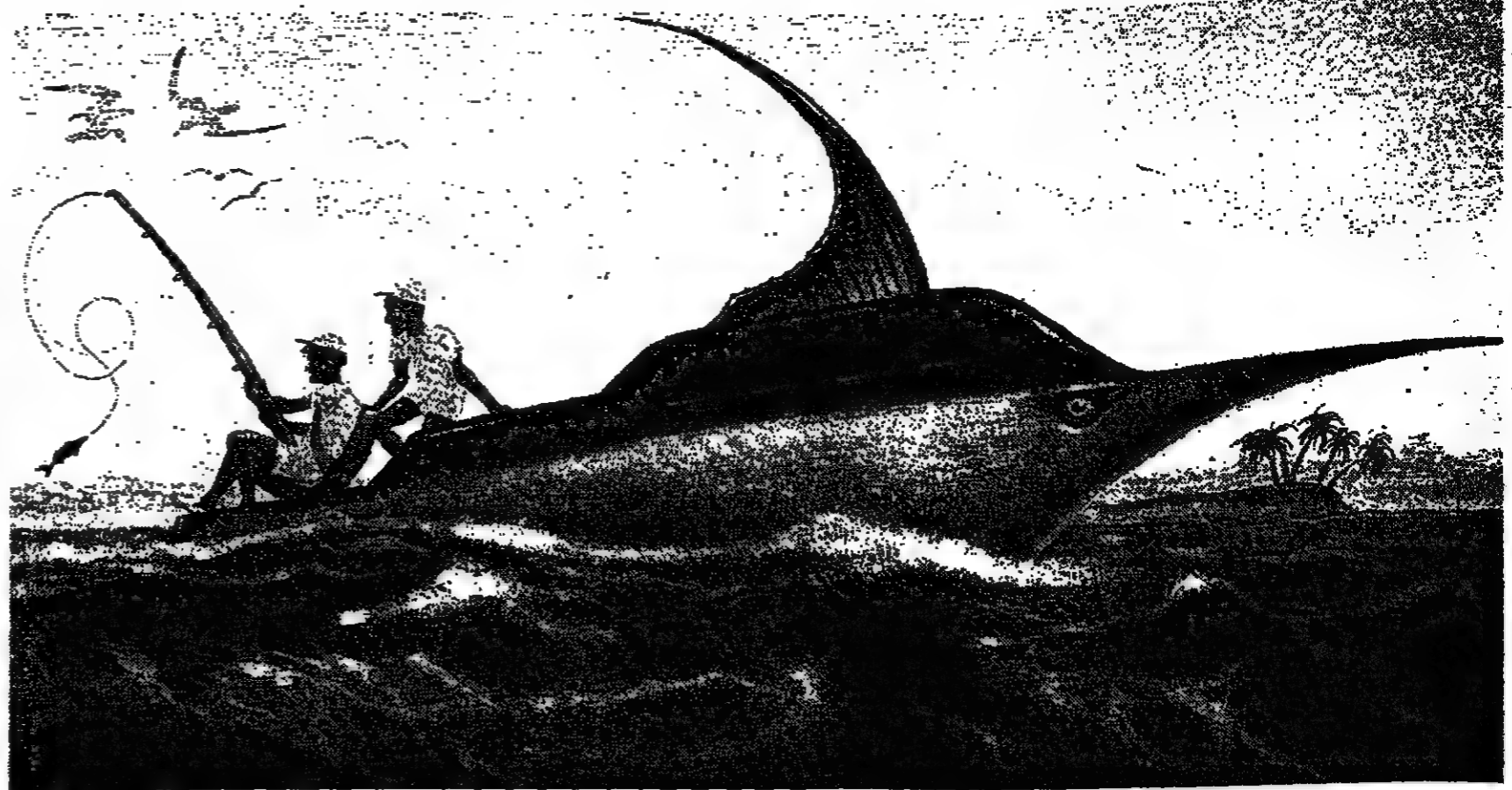
By a mixture of instinct and the previous day's training I managed, to my surprise, to stop the fall by turning onto my ice axe. I gingerly looked up and down. Mike was shouting to me; he was only six or seven metres away, and not far below me was gently descending mountainside. I slid down, got up and joined the rest. With prudent haste I loped down the mountain in long strides, keen to get off.

By Day Six two of the group had retired with blisters, caused by ill-fitting boots. Four of us set off to climb the Peak of Treasure (Sgor na h-Ulaidh, 904m), in the Glen Coe mountains. We walked along wild boggy moorland and then started up a ridge that led to the summit. The snowline began at 200m and as we climbed higher the snow got thicker, harder and more icy. For the first time in the week we needed to put on crampons. I loved the security of snow-footedness they gave, even on steep slopes.

Further up the mountain, gale-force winds viciously whirled loose snow into the air. The going got steeper. To move forward, I discovered I had to follow Mike's example and dig in the ice axe, take two steps, dig in the ice axe, take two steps, grit my teeth, dig in, etc. My calf and thigh muscles burnt with pain. Yet I was surprised and amused to discover that I was enjoying the experience enormously.

From the mountain top there was a glorious panoramic view of the winter highlands. We enjoyed it for a brief moment and then descended. My gaiters were still causing the tongues of my boots to chafe the skin on my shins, but I was satisfied, and thinking of winter trips on my own that I now felt confident to plan and tackle.

Mike Dennis can be contacted at Solid Summit, Oaklands, Trevor, Llangollen, Clwyd. Tel: 0978-830152. In addition to Scottish trips he can arrange courses throughout the UK.



Life, death and blue marlin

THE WORLD, Ernest Hemingway would surely observe were he with us today, has become a smaller and sadder place. Knocking down elephants with Manlicher rifles is no longer on. Bull-fighters are not heroes any more, but simply twisted men wearing tight pants and Mickey Mouse ears. Harry's Bar is now a hang-out for grey-suited wimps sipping mineral water. Divorced wives have become more expensive to collect than polo ponies. Communism and Fascism are dead words, and battles between good and evil are things of the past. The bell, in fact, has tolled for just about everything worth fighting or playing hard for.

Is there nothing left worth the attentions of big men with big money and big equipment? The answer, so I was told recently, is yes. It is a beast that can weigh more than 1,000

lbs, swims at 60 mph and takes up to six back-breaking hours to haul into a boat. It is called the blue marlin.

Big game fishing, as any Hemingway reader is aware, is no joke. A serious business, it involves such weighty themes as masculinity, struggle and harmony with the universe, and death.

Hemingway did his big game fishing between Key West and the coast of Cuba, where Caribbean waters offer fair to middling chances of landing a marlin. Cutting the odds, I did my marlin fishing off the Indian Ocean island of Mauritius, home of record-size marlin and the annual Marlin World Cup championship.

Nor did I take any chances with equipment. Availing myself of the big game fishing services of the Sun International-owned La Pirogue Hotel (co-sponsor and host of the championship), I fished from a boat Ernest himself would have

been proud to exercise a death wish on. Loaded with machinery the entire length of its 42 ft forward-raked hull, the *Moana* featured a throaty twin 210-horsepower diesel engine roar. It also bristled with devices capable of landing a marlin.

Surely among all this complex equipment none of the symbolic elements of the Hemingway sexual mystique could possibly be absent? True, there were none of the smoking barrels and spent shot of the land-based big game hunting safari. But as I tried strapping a heavy 6 ft rod, complete with massive brass reel casing at its base, into a webbed harness at my crotch, I couldn't help feeling this was a fair substitute. I didn't even dare contemplate the use of the cushioned metal swivel chair, adorned with slatted recesses and reinforced foot braces, solidly bolted on to the plank of the aft deck.

Finally, to ensure complete success, I had asked to go out with someone who knew what he was doing. This is surely a vital element in the plans of anyone like myself who, on the whole, does not know what he is doing. Thus at 6.30 one cloudless, windless, gorgeous Mauritian morning I found myself heading out to sea with two crewmen and an English big game fisherman named Alan Hart.

Serge and Francois I could figure out. Mauritian creoles with 15 years of marlin boat crewing behind them, they were silent, competent men who got on with a job they liked and knew well. Their big game fishing client, Alan Hart, was another kettle of fish, and took me wholly by surprise.

When I had heard the name the night before, I had thought it might have been invented for the purpose of a marlin hunt. It was a solid, reassuring name, a sportsman's name, a name to catch big fish. I had expected a tall, lean aristocratic figure with deft movements and sharp eyes. But the man who strode the decks of the *Moana* encased in bright orange and blue Bermuda shorts and a pink T-shirt sporting the logo "After the Marlin" did not fit the image I had constructed. A vast, jovial, florid-faced Eastender, Alan Hart is a Billingsgate wholesale shellfish monger who lives and dreams just one thing - fish.

A man who can wear shorts that display tropical atolls, bikini'd water skiers, palm trees, setting suns, clouds, flocks of birds and a score of other items all at once is a

man to be reckoned with, and I quickly got to like Alan Hart. As Serge guided the boat out to sea and Francois baited six separate lines with 4-inch plastic squids concealing vicious hooks, he told me a little about his love affair with fishing.

He cannot stand the taste of fish, but is incapable of staying away from rod and line for long. As a child he spent every spare moment he could fishing in canals, streams and lakes. As a middle-aged adult, he still spends every moment he can fishing, preferably in salt water.

Trained as a master butcher, it was not long before he switched to the wholesale marketing of crabs, lobsters, mussels, cockles, whelks and winkles. Up at 3.30 every morning, he is finished at Billingsgate fish market by 10.30, leaving a long day often spent by sea or lakeside. He loves nothing more than spending a wet winter's night before work beach-

outriggers and is paying out with a scream. Suddenly, all 17 stone of Alan Hart is tense, concentrated energy. The butt of his rod is secured by the belt at his crotch, its tip rises and falls as he alternately hauls in line and takes up the slack, and for the next 10 minutes the sweat pours off his face.

Finally, in the clear, deep blue water at the stern of the boat, I see a flashing, twisting, silver fish, doing its utmost to avoid coming to the surface. But Alan Hart's arm is tireless, and eventually the exhausted fish is scooped into the boat by Francois. It seems to be about 14 ft long and to weigh about 10 lbs.

"Is that a baby marlin?" I ask, doubtfully, remembering that any marlin under 200 lbs is often considered too small to keep and thrown back.

"Blimey, no," he says. "It's a bonito. We've just caught our bait. A marlin will take that and a tin hook in one bite. Now we're ready to start fishing."

Hart may be ready to start fishing, but the marlin apparently are not. With a couple of hours some hundred yards behind the boat - they have been pinned between the eyes, are still alive, and will provide some very life-like bonito action for the entire day - we troll slowly up and down the coast. The hot sun rises to its zenith above the sharply pointed mountains of Mauritius, and my nose slowly turns to hamburger.

Like the true fisherman he is, Alan Hart refuses to give up hope as at 5 pm, marlinless, we begin a final turn into the Grande Riviere Noire Bay and home. Even Mr. Lucky has his off days. "You just don't know what it's all about until you get that strike and see a half ton of fish sail clear into the air," he says.

But like a true non-fisherman, I am satisfied. I have bared myself to the great questions of masculinity, struggle and harmony with the universe, and death, and come home in one piece. Surely that is enough for one day?

Nicholas Woodworth travelled to Mauritius courtesy of Air Mauritius (Tel: 071-437-7075), and stayed at La Pirogue Hotel and Casino (Tel: 230538-441, ext. 4256). Information on both hotel and marlin fishing can be obtained from UK Sun International Hotels, Radmore House, Gravel Hill, Henley-on-Thames, Oxfordshire. RG9 4NR. (Tel: 0491-574546).

Nicholas Woodworth on the lure of big game fishing

fishing for cod between Deal and Dover.

He has never read Ernest Hemingway. "There is only one book that got me completely wound up," he confesses. "It was called *The Complete Sea-Angler's Guide to England and the West of England*. I lost it long ago and have never been able to find another copy." Readers please take note - if anyone knows the whereabouts of such a book, please get in touch with Alan Hart at Billingsgate.

It is only recently, he acknowledges, that a little astute play on the Stock Exchange has allowed him to fish further afield. Two previous fishing trips have taken him to another Mecca of deep-sea fishing, Mombasa. This is his first trip to Mauritius, but definitely not the last - out fishing six times in the last two weeks, he has been able to pay the £200-a-day boat and crew hire each time with winnings at La Pirogue's casino. "They call me Mr. Lucky," he modestly admits.

Our talk about the bruising Hart's kidneys took while bringing in a 310 lbs hammer-head shark two days before comes to a rapid halt: one of the baited lines has been ripped from the boat's lowered

TRAVEL BOOK

ECONOMISTS and politicians have long shaken their heads in despair about the British obsession with housing at the expense of wealth-creating investment in industry, writes Keith Wheatley. The phenomenon also has an historical aspect. Hardly has a manor house to be tickled with dry rot or a Palladian mansion suffer loose plaster than our copy the "heritage chequebooks."

Historic boats and ships, on the other hand, have a devil of a job finding any kind of quasi-public funding for restoration and preservation. For example, the *Great Britain*, probably the most significant merchant ship built anywhere during the 19th century, has been undergoing volunteer restoration at Bristol for nearly two decades. Would it have taken so long if Bristol's masterpiece had been a house?

The question matters because Britain has the greatest stock of maritime heritage anywhere in the world. However, for every *Cutty Sark* or *Discovery*, there is a vessel that will not last a decade without time and money.

has a new rôle as Britain's pre-eminent centre of naval heritage. Three historic warships, *Victory*, *Warrior* and the *Mary Rose*, are on display there.

HMS Victory is still a commissioned warship, with a commanding officer and naval ratings to man her; they also guide the tour parties. It is this that gives her an atmosphere way beyond anything that a museum can generate.

HMS Warrior was a ship that changed the RN almost as much as did the *Victory*. Despite iron-hulled merchantmen becoming commonplace by the 1850s, the Lords of the Admiralty remained convinced that warships would always be built of oak. When the French launched *La Gloire*, a battleship with 5 in of iron cladding, the admirals began to change their minds. *Warrior* was the response.

Warrior's presence in the Channel kept the peace between Britain and France. She never fired a shot in anger. Fully restored, she now sits at Portsmouth with a musket-shot from the *Victory*.

In a nearby warehouse sits the *Mary Rose*, nearly 500

years old and raised from the bed of the Solent. The physical convergence of the three ships, plus the splendid naval museum, makes Portsmouth a historical site of international importance, the equivalent of the Tower of London or the Parthenon. Yet it is short of the funds and structure for long-term development.

Each ship lives from day-to-day on the money gained from admittance fees. Those who might have travelled thousands of miles to see the *Victory* have to queue on hard benches outside in the rain.

The National Maritime Museum Guide to Maritime Britain, by Keith Wheatley, has just been published by Webb & Bower, at £15.95.

Fine Art Courses

The trip to Umbria described last week by Antony Thornborough was organised by Fine Art Courses. Details from the company at 15 Savile Row, London W1X 1AE. Tel: 071-437-8553.

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MOTURING



Cat with a catalyser: The Jaguar XJS 3.2 with sports handling pack. Firmer suspension and fatter tyres make it feel sharper

Jaguar aims for a racing green

Stuart Marshall drives an improved version of a luxury classic car

DOUBLING — perhaps trebling — the annual tax on cars with engines of 3-litre cylinder capacity and over seems one of the more obvious options for the Chancellor next March. It would raise money without touching the Retail Price Index, mainly affect company owned or leased cars, and demonstrate environmental concern on the premise (not always true) that the larger the engine, the more fuel it is likely to burn and the more carbon dioxide it will put into the atmosphere.

Any rise in the cost of motoring is unwelcome. But, if the tax on the smallest engine Jaguar XJS went up from £100 to £200 or even £300, it might seem a modest price to pay for the improved performance. The new 3.2 litre, 24-valve, 200 horsepower engine which replaces the former 2.9 litre has an exhaust catalyser as standard. It is 35 per cent more powerful than the 2.9 and develops 32 per cent more torque (pulling power). This works wonders for drivability. The 2.9 XJS I used last week had manual gears and the optional sports handling pack. Like most Jaguar users, I far prefer automatic transmission but I found the manual 5-speed box easy to shift and the clutch agreeably light. Even better, the engine's smooth, low speed pulling power meant very little gear changing was necessary

in traffic. Sensible gearing (70 mph/113 kmh per 1,000 rpm in top) made for easy though spirited open-road driving. There was so much power on tap that I never felt I was having to row the Jaguar along with the gear lever, as one often did in a well laden 2.9 in hilly country.

Fitting the new, 300 cc larger engine has actually reduced fuel consumption a little. The official figures for a manual 2.9 litre XJS with catalyser for

urban cycle, constant 55 mph (90 kmh) and 75 mph (120 kmh) were 17.4, 34.5 and 28 mpg (16.3, 8.1 and 10.1 l/100 km) respectively. For the 3.2 litre engine they are 15.6, 35.8 and 29.4 mpg (14.4, 7.9 and 9.6 l/100 km). That suggests a long and relaxed journey might yield a consumption of 26 mpg/10.9 l/100 km. My mix of town and motorway, with a dozen cold starts, gave me a reasonable 22.5 mpg/10.1 l/100 km.

The sports handling pack is not one of those embarrassing sets of bolt on plastic bits that spoil the look of any nicely styled car. It consists of major under-body revisions that stiffen the suspension and sharpen up the steering, plus 16-in diameter forged alloy wheels 225/55ZR P800 tyres with ultra low profile.

The XJS 3.2 litre I had on test was the best handling Jaguar saloon I have driven. The

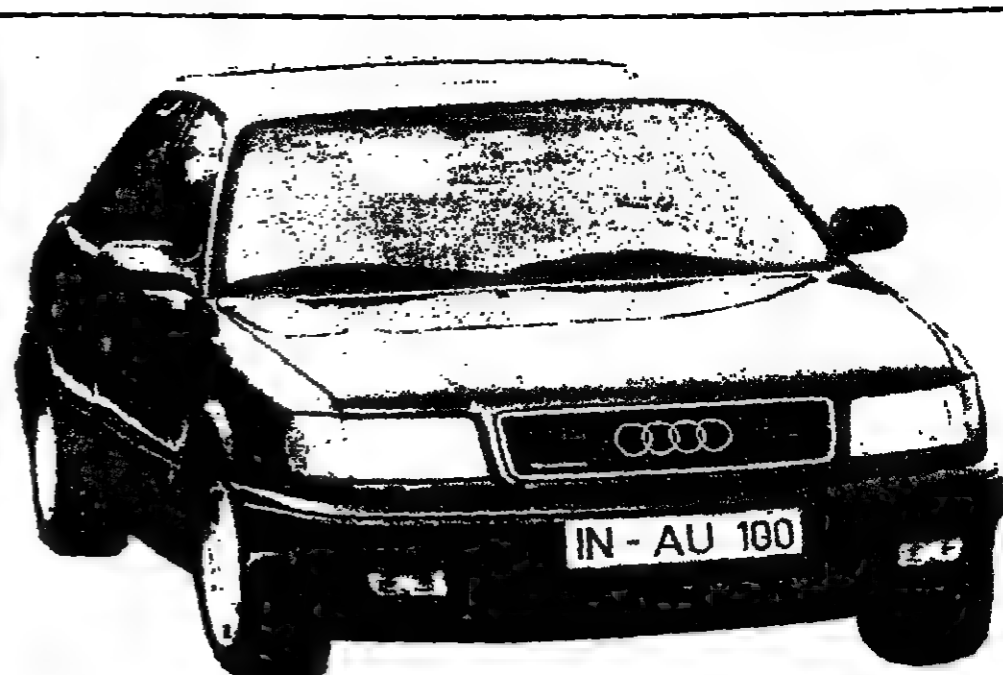
soft, floating ride that some passengers find upsetting and the excessively light steering had gone. Although the suspension was firmer, and response to slight movement of the steering wheel much sharper, ride comfort was almost as good as ever and tyre thump not troublesome.

The only disadvantage was the tendency of the fat Pirellis to "tramline." They picked up all the little imperfections on the concrete or tarmac and were inclined to follow their own path. It wasn't enough to demand steering correction but it did make the Jaguar feel rather fidgety when it should have been running in a straight line.

Nothing else of significance has changed. The styling is of classic, understated elegance. For a car of its size, it is not especially roomy. The boot takes two sets of golf clubs in their trolleys, but not a lot besides.

Reacting to public distaste for things digital, Jaguar has gone back to proper instruments with needles and dials and very good they are, too. There is an easily understood on-board computer and lots of warning lights.

The price, including the £2,900 sports handling pack and a high-class Alpine audio unit, is £26,850. One can spend a great deal more on a car that looks and feels far less distinguished.

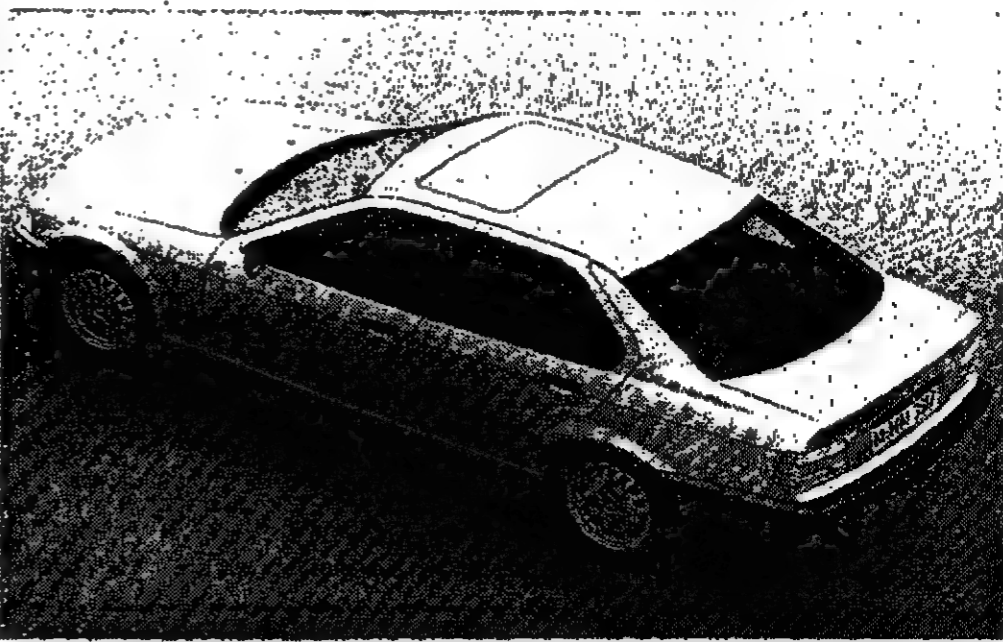


These are the first official pictures of two new German executive-class cars that will be reaching British buyers next summer — the Audi 100 and BMW 3-Series. By that time both will have been on sale on the Continent for some months writes Stuart Marshall. Audi has said little so far about the 1991 model 100 (above) except that its smooth aerodynamic shape is all new and that it will eventually be the first of its marque to have a V6 engine. Until the luxury V8 appeared in 1989, all Audi cars had four or five cylinder engines, mounted longitudinally forward of the front wheel centres. The five were used because there was no room for an in-line six.

Entry model 100s will have a 1.8 litre 4-cylinder engine similar to that used in the VW Passat. Although the new 100 is almost exactly the same length as the old one, the

wheelbase is about four inches (10 cm) longer. Just as the new Audi 100 shows a family likeness to the V8, so does the BMW 3-Series (below) demonstrate kinship with the larger 5-Series and 7-Series cars. A low bonnet, concealed screenwipers, a high tail and, in some cases, faired-in wheels all reduce aerodynamic drag and thus fuel consumption at autobahn cruising speeds.

The new 3-Series is five inches (12.7 cm) longer than the current model. Reports from Germany say it will be launched with four and six cylinder engines of between 1.8 and 2.5 litres capacity with outputs ranging from 115 to 190 horsepower. The first 3-Series to appear will be four-door saloons though two-door versions will follow soon after. Until the new 3-Series Touring semi-estate cars and the cabriolets arrive, the existing models will stay in production.



Rust — the truth!

MOST OWNERS of cars that are no longer young but which have been given lots of tender loving care know how infuriating it is to find that hidden rust is making the paint bubble.

The six-year anti-perforation warranty is no help because the panel hasn't rusted through. What the owners want to know is why it should have rusted at all and what the manufacturer or his agent is going to do about it.

The answers (allegedly) are in a new book, *Motor Vehicle Corrosion*, by Dr Hugh McArthur, who subtitled his book "Sorry, sir, it's more chipping", argues that all

design-induced corrosion should be covered by the manufacturer's six-year warranty.

Rust attack on cars is not the most pleasant subject. It is something most of us prefer to forget about — until, that is, the first signs appear. McArthur's book is hardly light reading. But it would be of great value to car owners about to lock horns with manufacturers or dealers over corrosion claims. That is the time when you really need to know what you are talking about.

Motor Vehicle Corrosion, by Dr Hugh McArthur (£7.95 from Expert Books, Woodhouse Eaves, near Loughborough, Leicestershire LE11 3SD).

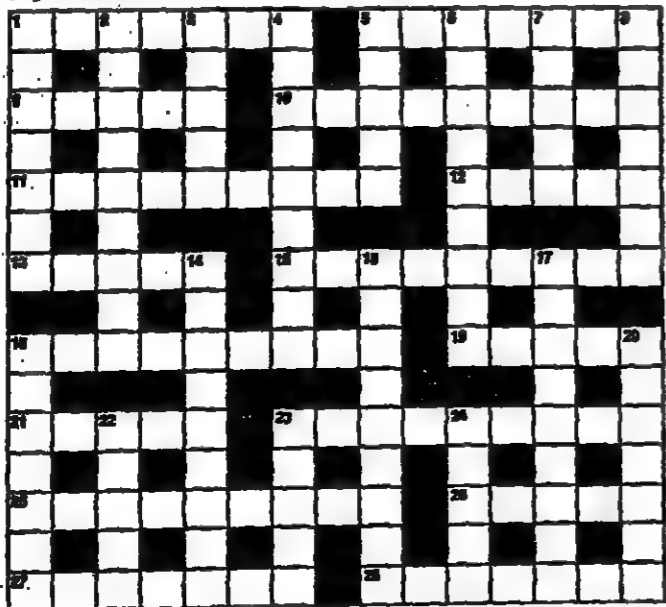
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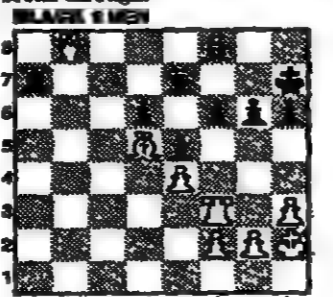
Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday November 14, marked Crossword 7384 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday November 17.



- ACROSS**
- 1 Author from city in Burgundy (Germany) among birds (7)
 - 2 Gather from hell, no less (5)
 - 3 Apart from most of Sri Lanka, a city in Spain (9)
 - 4 Alluring fashion used to entice revolutionaries (9)
 - 5 Ring given by king to Gwyn (5)
 - 6 Island to forward of mountain (6)
 - 7 Piece of entertainment — a boxing match makes a complete change (9)
 - 8 Venerable person gets wrong part with chair (9)
 - 9 Eastern front's for General and Edith (6)
 - 10 A public house is a pest in the garden (5)
 - 11 Norwegian port sends coach, including goods vehicle, by river (9)
 - 12 Associated with eight feet are two more heartless challenges at football (8)
 - 13 Account at the end? (5)
 - 14 Backbone at back dash inside for fragile light plant (7)
- DOWN**
- 1 Read about line being read (7)
 - 2 Oak, a very loud one, on lifeboat lifter (9)
 - 3 Lay in worldly riches (5)
 - 4 Agony aunt's niece? Moderate sits awkwardly within (8)
 - 5 Lament for Foulridge? (5)
 - 6 Examine partner at end of game (9)
 - 7 Take the shine off poem to the queen (5)
 - 8 Red vehicle driven by learner in group (7)
 - 9 Neat explanation for the word "nave" (of a church) (9)

ANATOLY KARPOV levelled the scores at 3½-3½ in the world championship in New York last week when Gary Kasparov played listlessly in one of the worst games of his career.

Kasparov's form has deteriorated after his brilliant start, while Karpov has begun to direct the games into his preferred strategic battles. Earlier Karpov had the better of the opening in game six, but underestimated Kasparov's pawn sacrifice which seized the initiative. Approaching the time control, Karpov was reduced to passive defence while Kasparov looked for a breakthrough.



WHITE 11 MEN

Kasparov went 1 Rxf3 when Karpov offered a breathing space by 1... h5 2 g4 Kf6 3 g4xh5 4 Rxf3 5 Rxf3 6 Rxf3 7 Rxf3 8 Rxf3 9 Rxf3 10 Rxf3 11 Rxf3 12 Rxf3 13 Rxf3 14 Rxf3 15 Rxf3 16 Rxf3 17 Rxf3 18 Rxf3 19 Rxf3 20 Rxf3 21 Rxf3 22 Rxf3 23 Rxf3 24 Rxf3 25 Rxf3 26 Rxf3 27 Rxf3 28 Rxf3 29 Rxf3 30 Rxf3 31 Rxf3 32 Rxf3 33 Rxf3 34 Rxf3 35 Rxf3 36 Rxf3 37 Rxf3 38 Rxf3 39 Rxf3 40 Rxf3 41 Rxf3 42 Rxf3 43 Rxf3 44 Rxf3 45 Rxf3 46 Rxf3 47 Rxf3 48 Rxf3 49 Rxf3 50 Rxf3 51 Rxf3 52 Rxf3 53 Rxf3 54 Rxf3 55 Rxf3 56 Rxf3 57 Rxf3 58 Rxf3 59 Rxf3 60 Rxf3 61 Rxf3 62 Rxf3 63 Rxf3 64 Rxf3 65 Rxf3 66 Rxf3 67 Rxf3 68 Rxf3 69 Rxf3 70 Rxf3 71 Rxf3 72 Rxf3 73 Rxf3 74 Rxf3 75 Rxf3 76 Rxf3 77 Rxf3 78 Rxf3 79 Rxf3 80 Rxf3 81 Rxf3 82 Rxf3 83 Rxf3 84 Rxf3 85 Rxf3 86 Rxf3 87 Rxf3 88 Rxf3 89 Rxf3 90 Rxf3 91 Rxf3 92 Rxf3 93 Rxf3 94 Rxf3 95 Rxf3 96 Rxf3 97 Rxf3 98 Rxf3 99 Rxf3 100 Rxf3 101 Rxf3 102 Rxf3 103 Rxf3 104 Rxf3 105 Rxf3 106 Rxf3 107 Rxf3 108 Rxf3 109 Rxf3 110 Rxf3 111 Rxf3 112 Rxf3 113 Rxf3 114 Rxf3 115 Rxf3 116 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Property

THE FIRST commandment for would-be buyers of overseas property is "learn the language". Making no attempt to do so is like going to a dinner party and ignoring the hostess. Unfortunately most British buyers in France do "ignore the hostess". Fewer than one in 30 can speak the language reasonably, and 23 per cent have no knowledge of it at all. For one thing it is an impediment; for another, the Britons who cannot communicate are missing out on the best reasons for buying a home in France.

They will be unable to discuss the vintage and the colour of the wine, to cadge those delicious wet walnuts and wild mushrooms that make France the best place to be in autumn or to haggle in the market place.

France is a huge and diverse country, and as my recent tour demonstrated, there is property for almost every pocket. The "dirt-cheap" bargains are harder to find than they were two years ago, even though the market is quiet; but there are plenty of new holiday homes available, from around £30,000 to several million.

The first consideration when buying abroad is whether the property is for climate or for convenience. Don't invest in Provence if a spur-of-the-moment weekend trip is likely, but the area around Calais (which some refer to as southern Kent) does not enjoy the balmy climate of Antibes. When I win the Booker Prize I will buy an old chateau in Provence, or the Lot; but agents such as Frank Rutherford and Miles Barber tell me that they are now so popular that it costs more than £150,000 to find something good and habitable.

Ruins can still be found, but the £10,000 or less heap is now found only in less fashionable areas.

Buying old property involves higher charges - allow an extra 10 per cent on the purchase price for taxes, notary fees and the like. Only about 3 per cent is loaded on to the price of new property, but remember that it will already carry a whopping 18.8 per cent IVA (VAT).

My tour took me to four places: an ancient fortified village near Condom, now offering excellent time-share accommodation, the popular holiday area of Languedoc-Roussillon, exquisite Provence and sizzling Cap Martin, where hitherto only billionaires could hope to buy a home.

Château de Fources

Most coaches stop at this beauty spot for about an hour; that, really, is long enough to explore its little square and the handful of shops around it. It is one of the most photographed and filmed villages in this part of France.



Instant antiquity: A show village in Provencal style at Pont Royal Country Club

Be at home with the language

David Hoppit tours French developments

In springtime the square is decked with a million blooms for the flower festival. It is, to put it mildly, relaxing. Coaches gone and dusk falling we sat in the square sipping the sweet Vin de Armagnac called "Floc", picking at the salad Gasconne and waiting for the local duck speciality. Taste buds had been sharpened by a stroll along the river. This 17th century hamlet seems not to have noticed the 20th century.

The castle, battered but not ruined in 1323, has been converted into 10 apartments, each sleeping six people. Weeks, sold in perpetuity, range in price from just under £2,000 to nearly £7,000. (Details from Frimshire: 0448-619055).

Languedoc-Roussillon
A ghastly family holiday near St Cyprien 10 years ago left me with a jaundiced view of an area that was drained 15 years ago to provide happy holidays for Frenchmen; but the children loved it.

The bathing is safe, the big-dippers terrifying and the candy-floes sticky. But the area, from the sea up to the foothills of the Pyrenees, has much to offer; not least some very drinkable wine; and towards the Spanish border the scenery becomes more rugged and

attractive. My host in this area was Ribourel, one of France's biggest leisure developers. We saw property priced from under £30,000 to very large flats in the £130,000 bracket.

In Canet, the Copacabana Apartotel offers one cheap way of securing family holidays. The 500 apartments, no more than generous hotel suites, are priced between £40,000 and £50,000.

The deal allows a 30 per cent discount on that as long as the buyer allows the use of the room for 45 weeks during each of the first 10 years; that is to say the owners get seven weeks a year for their own use. Another deal gives a smaller discount but a small income from letting.

The area which I believe will most appeal to British buyers is around Port Angeles. If a beachside location is important a development called Acapulco, with 105 flats, is worth seeing. Prices start at about £28,000 and rise to £30,000.

A little further south, at Collioure, 125 cliffside homes above a little cove are selling fast; only five remain, priced between £40,000 and £70,000. Six huge flats are also soon to be built there, costing up to £130,000.

Details of Ribourel property from Mills and Cox: 08946-3821

Pont Royal

There is so much culture and beauty in Provence that the house-hunter has to compete with the French; so prices are high. Pont Royal, close to Aix en Provence, is destined to become a flagship of European leisure development.

Four villages, one including a church, are to be built on the rolling foothills of the Luberon Mountains, bisected by a championship golf course designed by Sever Ballesteros, his first in France. Not surprisingly sales of property have already been brisk; they are likely to rise dramatically once the golf courses are playing next summer.

The cheapest one-bedroom apartment is about £70,000; larger ones cost from £120,000. Sensitive use of old building materials give these lovely homes instant antiquity. Plots for villas start at £90,000 and rise to £150,000.

Countless good restaurants await exploration. We sat by the river, outside "Le Chêne" at Charleville, near Malmort, sipping 1986 Cote du Luberon (Ch. La Verrerie), with courses arriving every hour or so. In four hours only two cars passed.

The next day we scoured the vast market at L'Isle sur la Sorgue for bargains, before venturing to Fontaine de Vaucluse, one of France's most beautiful natural wonders. Sadly the locals have all but ruined it.

Tatty shops selling trash greet the visitor and garbage litters the very source of crystal water that surges from the base of the mountain. Just above a shingle beach where children paddle is Restaurant Philip, from which flow rivulets of pink toilet paper: a testament to a total disregard for hygiene and, worse still, the environment. So proceeds our love-hate affair with the French.

Details of Pont Royal (where hygiene and the environment are of the best) from OSI-325-1234.

Le Cap Martin

On a green and tranquil peninsula just east of Monte Carlo sits what Paris-based developers Corniche modestly call "La dernière grande adresse" - Villa Olivia, on Cap Martin. It is almost in the league of "If you have to ask the price you can't afford it."

However, there is a chance now for mere millionaires to get a foothold. In one of the world's most exclusive addresses, in a 583m project about 12 acres are being developed, with 12 blocks totalling 64 apartments now taking shape. Already one of the largest units, a five bedroom home with a 7,000 sq ft landscaped roof garden and pool, has been sold for about £2,500,000.

Prices start at just over £500,000. Details from Osborne: 071-485-8511.

A Swiss substitute

THE BUSINESSMAN making frequent visits to Geneva might feel it would be useful to have a flat in the city. But any form of permanent accommodation there is hedged around with rules. A non-Swiss cannot buy anything available to rent is 30 to 40 per cent more expensive than in neighbouring France, says Corporate Relocations, in Geneva. So those who can, look for something over the border.

French construction company Helvin suggests Ferney-Voltaire, half an hour's drive from Geneva, where the company is building two blocks of apartments with a choice of types. Cross-border commuting may seem complicated but it is regularly done. And as a bonus Geneva airport is en route.

Ferney-Voltaire is a sleepy rural town with a square, fountain and cafe tables under the trees. There are the tempting windows of two boulangeries/patisseries within a few yards, across the square, so it is as well that there is a sports complex and swimming pool nearby.

The apartment blocks - Les Jarguieres - are a brief walk from the square and the buildings echo the notary's house and other turn-of-the-century properties along the road. They are on three floors beneath shallow roofs. Flats look out on to the trees in the courtyard, or in the parkland behind.

One block has been sold to a bank which is now letting the apartments at a rent of £300 a month for studios to £500 for two bedrooms and garage. Units in the other block are being sold individually.

To purchase, a studio type is £55,000. It is about 280 sq ft - just a living/sleeping room with kitchenette and bathroom. But the ground floor version has its own terrace, along with parking space. It could well make a pied-a-terre for the businessman, or, indeed, the inveterate traveller who likes a European base. (It is 45 minutes to the ski resort of Megève).

There are larger apartments including a rather different design that sells at £177,000. This has a sizeable living area (which could make two rooms)

with balcony, kitchen, two bathrooms and two rooms in a gallery in the roof. Maintenance charge for the flats is between £350 and £700 a year.

Details from Helvin, in Paris, tel 1 40 70 13 13, or Domus Abroad in London, tel 071-409-0671.

Why are these being offered in London? Therein lies a story.

Helvin was founded in 1976 by a Swiss and builds commercial and residential developments in France. It currently builds 350 homes a year, which makes it a medium-sized builder by UK standards. But it feels that in France the house-

of the walls on either side of a broad bow window, cutting off the glazed area, thereby making the room both warmer on winter nights, and safer.

Front doors have a slice of metal running right through them, like the ham in a sandwich. Security, again, negated, though, by glass panels at the sides.

But there are some things that would not go down well with the British and that Helvin would have to change. Kitchens sold with just a sink unit may offer the buyer a full personal choice of equipment, but today's UK family is used to seeing the kitchen in a new house as a glossy magazine picture, presented to them complete and it is likely to continue to want that.

So with bathrooms. White may be the "in" colour for fittings at present, but the rooms still have to be dressed up. Again this is magazine territory and the wise builder takes it as such.

So what of Les Maisons du Golf, at Bussy-Saint-Georges? The beige-washed houses with narrow eaves and lacking private gardens, around a rather suburban-looking golf course, might not appeal to the British working in Paris.

But wait. This development has another angle that might attract purchasers and would explain why a new station is to be built. The project is ten minutes away from what will be the entrance to Euro Disneyland, due to open in 1992. Just think of all the people now starting to work on it and the travel companies who will want accommodation for visitors coming to look at all those Mickey mice.

You are told by Disney people that "the success of each Disney theme park has contributed to significant economic growth in its surrounding area... Orange County, California, has experienced a 40-fold increase in the number of hotel rooms since the opening of Disneyland".

Investors could be interested. If they are, the three to six bedroom detached houses are available from £145,000 to £248,000. Again, details from Helvin or Domus Abroad, telephone numbers as above.

Audrey Powell looks at alternatives to expensive Geneva

ing market is limited, so it thought it would try selling to the British.

Françoise Murzeau, its commercial director, talked to a number of British estate agencies. She decided against the larger ones handling overseas property, believing a smaller, active agency might give the company's developments more attention.

So she opted for Domus Abroad. Domus has now brought in two other small British agencies and the three have formed a consortium to deal with UK sales of the company's projects under Domus's direction.

Its products are varied. To take one other type: 40 minutes east of Paris is Bussy-Saint-Georges, where Helvin has a development of 250 houses going up around an 18-hole golf course. Certainly an easy journey for commuting to Paris - more so when a new station is opened closer to the area.

The properties are spacious, with wide doorways. They have several points that might attract the British buyer if translated to the UK. Those working shutters, for instance, which never seem to appear on today's British homes, even in these security-conscious times. One type of shutter slides out

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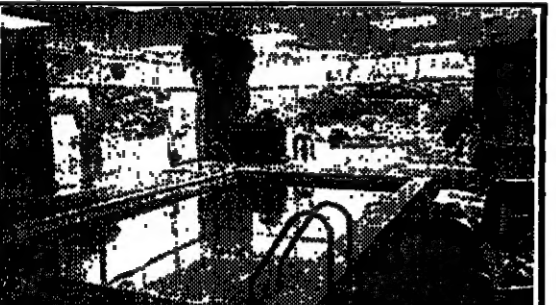
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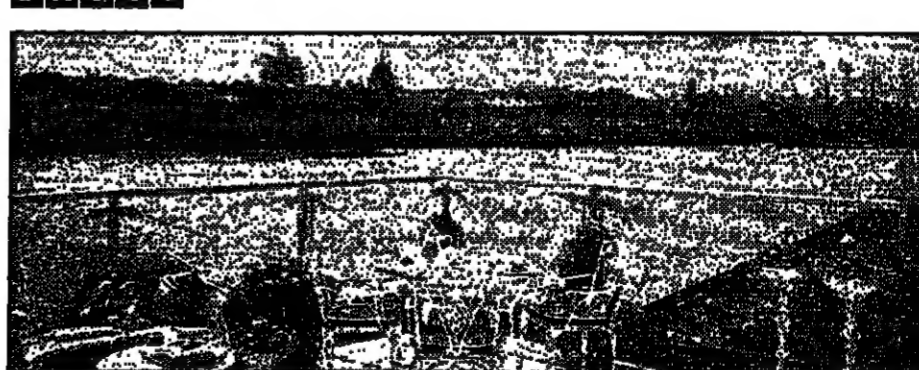
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SPORT

Golf/Lauren St John

The great shark keeps smiling

"GOLF," Sandy Lyle observed recently, "is one of those games where you always seem to remember the bad things and not the good things." That certainly applies to Australia's Greg Norman. The "good" things in Norman's career — including nearly 60 tournament victories worldwide — mean little in a sport where a man is judged by the major championships alone.

On this measure, Norman's position as world No.1 on the Sony rankings begins to look more than a little suspect, for he has won only a single major: the 1986 Open Championship at Turnberry. Yet Nick Faldo, who was deposed by Norman recently at the top of the rankings has won four: the 1987 and 1990 Opens and the 1988 and 1990 US Masters.

Even though he has dominated the major since then, Norman's inceptions in 1986, Norman is dead set against them. "It just doesn't work and it never will work until we have a world tour," he says. "You have a look at all your other sports around the world that do have a ranking system — tennis, motor racing and soccer, in a way, with the World Cup. Golf is the only professional sport where we aren't obligated to play certain tournaments around the world, which means that the players aren't always playing against each other. That's why I don't think the ranking system works at all."

Ironically, Faldo believes that Sony's system is as good a way as any of establishing who the best player in the world is. "What you've got to work out," he says, "is how many ordinary tournament victories a player would give for one major victory." Faldo says he would trade in every tournament win he ever had, for his

four major titles. Norman might well do the same. This is where the "bad things" in Norman's otherwise illustrious career come in. The Australian may have just one major to his credit, but he has snatched defeat from the jaws of victory in at least four others. It has got to the stage where you do not wonder how he is going to win a tournament, you wonder how he is going to lose it. Norman has lost out in the majors on so many occasions that his nickname, the Great White Shark, originally a term of endearment and a tribute to his aggression and fearlessness on

'Other sports break bones or draw blood. In golf the damage is internal'

the golf course, has been changed rather cruelly to the Great White Carp.

In 1986, shortly after Norman had hoisted the last hole of the Masters to lose to Jack Nicklaus, he was beaten in the US PGA Championship by Bob Tway who holed his bunker shot on the 72nd hole. In 1987 he lost the Masters again, when Larry Mize holed an extraordinary 40-foot chip on the second extra hole of the play-off. Finally, he lost the play-off for the 1989 Open Championship to Mark Calvey, who holed his tee shot at the 18th.

This year Norman has been defeated twice on the US tour, by American rookie Robert Games and South African David Frost, both of whom holed duke shots on the final hole of a tournament. A lesser player might have been

crushed by what fate has dealt him but Norman, to his eternal credit, has turned it around and made it into something positive rather than negative.

As he said at the Open at St Andrews this year, he cannot help it if another player holes a miraculous shot to snatch the title. "If they do it to me," says Norman with customary good humour, "it is a sign I am in contention more than anybody else. If I had played a bad shot, or hit it in the water, or done something to lose it, then it would be a different situation."

In case Norman has forgotten, there are plenty of people who would remind him that he had luck was not a factor in the Open at Troon. By taking out a driver when he knew that the bunker was in play, Norman patently made an error of judgment. But the Shark has slowed down the video and watched the replay of that shot enough times to be convinced otherwise.

"Unfortunately, my drive landed on a hard patch, says the 35-year-old Australian. "I had 318 yards to the bunker. He's better than you on the green. You have to say to yourself: 'Well, I better get out there and work harder to beat him next week.' But if you get mad at the guy for beating you, then he's got the edge on you every time."

That kind of resilience, as well as the desire to be the best, is inherent rather than learned. It has been part of Norman since childhood. "Sure, your confidence can



Sand in his eyes: Norman was beaten from the bunkers at the 1986 US PGA and 1989 Open

go down very quickly," he admits. "I mean, it's happened to me over the years. But you know deep down in your gut that it's just superficial. Three months will go by and you'll be bouncing right back into the game. You'll think: 'Whatever happened? What went wrong for three months? You know, your swing might just go out of kilter a little bit. You start searching for it and you search in the wrong direction. Then you're stuck. When you get it back you think: 'God, how easy it is. Why did I go off the

rails?'" Norman's swing is so grooved that it rarely changes. When it does, he relies on the guidance of his coach of 18 years, Willie Earp. "The mental part of your game fits the physical part and vice versa. It's an amazing contrast of passions. If your mind is strong negatively, then you'll never play (great golf), but if it is strong positively, then you are going to be around for a long, long time, no matter what people say or do to you."

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Rugby/John Kitching

Last bow of the amateurs

GOOD MORNING and welcome to Twickenham where England's match against Argentina today will be their last as amateurs. By the time the Five Nations championship starts in the new year we can expect to see Will Carling to be sponsored by the eponymous lager company, and policeman Paul Ackford and Wade Dooley to arrive in monogrammed panda cars. Or can we?

Yes, because rugby's International Board has served up its latest ruling on payments to players with a large dollop of fudge. The laws have been relaxed, but each member union still has the discretion to act according to local circumstances. Practice that means maximum leeway in New Zealand and Wales, less in England and Scotland. It means some fairly serious money for a few top players, perhaps a little for the national leaders, and no difference at all for the junior club or extra B player. It is no less than a "tragic error," according to Geoff Cooke, the England manager.

No-one, the board says, can be paid for playing, or for any activity directly connected with the game. Apart from that, pretty well anything goes.

The basic tenet of the game will continue to be that players are not paid for playing the game, says Sir Ewart Hall, of the International Board. "A charter for cheats," replies Albert Ferrasse of France's rugby federation. In his way, perhaps Ferrasse is nearer to the truth. The door to rule-bending is no longer ajar; it is wide open.

England appeared yesterday to be on the verge of asking their players to enter into contracts with the team management. The pressure, it seemed, was on the players. When I spoke to Carling he was polite and courteous but said: "I feel I have had my say. I don't want to make any further comment on the issue at this stage."

So the rugby season has again begun amid controversy. There is the issue of player poaching, defections to Rugby League, concern over the future of the Barbarians, the scrum-free game in New Zealand, and two more momentous events. First, the Soviet Union has at last joined the International Board; second, South Africa has applied to host the 1995 World Cup.

Player poaching is inextricably linked to the professionalisation of the game. Once upon a time the good junior player moved on to a senior club to attract selectors' attentions. Nowadays, some senior clubs aggressively market themselves and head-hunt players. The so-called poaching of Jason Leonard by Harlequins from Saracens is an open row. Yet Leonard had joined Saracens from junior club Chesnut. Poaching, or moving in the game? It is a thin line.

Rugby League, which has claimed its customary number of Welsh recruits, with Neath's Mark Jones the latest to go north, for an alleged £180,000. Carling has said he would not join League for £1m. Carling, who is young, handsome, educated and articulate, should, with a good agent, be able now to make a reasonable living out of rugby union; Jones, a taciturn shaven-headed forward, would probably not.

In a team game, why should some players (such as Carling or Jones) benefit substantially while others — less charismatic, less articulate — do not? Carling's initial reaction to the new regulations was that there would certainly have to be some sort of pool system. "The team has to be looked after, but the best individual players will be more marketable than others." This week he declined to elaborate on those views.

When Argentina last visited Britain, in 1978, the game was very different. There was no little sponsorship. Rugby, in short, was a players' game. Now at the highest levels it has become big business.

Leagues rugby may have raised standards and the ferocity of competition, but perhaps, in a curious way, it has made rugby again a players' rather than spectators' sport. Many league games are dull, desultory affairs — the worst kind of professional sport — and one longs for the atmosphere of, for instance, the old Anglo-Welsh "friendly" developing too quickly. It is in danger of becoming too big for its boots.

There is too much at stake, too many matches, too many advisers, too many players burning themselves out too young. Possibly it remains a fun game only in the junior clubs or in schools and universities, though judgment should be reserved, perhaps, until after next year's World Cup, which will be rugby's biggest money-spinner with gate receipts expected to reach £10m and sponsorship several times that.

Arguably, there is much to prove at Twickenham. They will want to show that their win over England in July was not a freak and they will want to gauge standards in the northern hemisphere. They are to play in World Cup pool three against Wales, Australia and Western Samoa.

Their game could be on a heavy forward artillery which often stops little short of brutality. Their general is Hugo Porta, the 39-year-old fly half, who is almost old enough to be Carling's father. Porta is too old to benefit substantially from the relaxation of the professionalisation regulations; Carling could make a small fortune.

Tennis/John Barrett

A scholar and a winner

less sure of herself than usual. Nevertheless, Sarah certainly has the right attitude. She describes herself as "determined, aggressive and very competitive," and says: "I simply have to be the best in anything I do."

Sarah displayed these qualities in 1989 when she won this tournament at the age of 17. It was particularly unfortunate, therefore, that a sprained wrist prevented her from defending the title last year, because she had also been forced to miss Wimbledon in 1989 while taking her A levels.

The self-denial was worthwhile. Sarah is due to start studying at Oxford next October. If she makes her present progress she will face an agonising decision next summer. Should she take up her place or not?

Sensibly, she is not allowing the question to affect her. "I'm not going to put pressure on myself," she says. "If I have to delay it for a few years it's no big deal. There are many mature students these days."

This realism was apparent years earlier when Sarah had to make another difficult decision. At 13 she was about eight or nine when she was one of the most promising young swimmers in Wales. "It was becoming impossible. Apart from my tennis, I was spending two hours in the pool every day before school and two more hours in the evening, as well as playing county hockey and netball and trying to keep up with homework."

She was fortunate to have parents who helped her make the right decision. Her father, John, is a Cardiff

solicitor who always hoped that she would go to university, as he had done. Her mother, Pam, a former Welsh tennis international, introduced all four children to the game early.

But Sarah had not been so impressed. "I never liked tennis at first," she remembers, "but when I was about eight or nine mum took me along to play against the squad of boys she was coaching at the time. Immediately I was hooked. It was the challenge of being the only girl. All I wanted to do was win against the boys."

Winning became a habit. She won the national 14-and-under and 16-and-under titles and in 1987, at 15, became the British junior champion. Sarah is enough of a realist to know

that the next stage of her development will be the most difficult. She acknowledges that she should have spent more time on European play. "Our young players should be competing in Europe much earlier. It is very difficult to learn to be consistent on fast courts like the ones at Bournemouth or Queen's Club."

Last Easter Sarah made the decision to hire as a full-time coach Andrew Jarrett, the former British Davis Cup player, with whom she had worked on the LTA's Challenger squad. The LTA has agreed to underwrite the cost. This is exactly the right approach. These days it is virtually impossible for even the most talented individual to break into the top levels of the men's or women's game without expert year-round help. This is how the LTA should invest its training funds — once an individual has proved that he or she has the potential to succeed.

Sarah has no doubts. Without conceit she says confidently: "I know I can become as good as today's great players. The next two years will show whether or not she is right."

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